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Revenue Committee
March 24, 2016

[LB958]

The Committee on Revenue met at 1:30 p.m. on Thursday, March 24, 2016, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on AM2717 to LB958. Senators present: Mike Gloor, Chairperson; Paul Schumacher, Vice Chairperson; Lydia Brasch; Al Davis; Burke Harr; Jim Scheer; Jim Smith; and Kate Sullivan. Senators absent: None.

SENATOR GLOOR: Good afternoon. If I could have everybody sit down, please, we're going to get started. Good afternoon. I'm Mike Gloor, I'm the Chair of the Revenue Committee. Welcome you here. I think folks know we're here to meet...well, I'll get into that a little bit later. Would ask people to listen up while we run through a few general rules. Please turn off your cell phones. If you're here to testify, please move to the reserve chairs that we have up front so we're not spending a lot of time with people coming and going. I'm going to come back to the order of testimony in a little bit. We need testifiers, when you do testify, to sign in. There are sheets in the back. You need to fill one out and hand it to the committee clerk when you get up here, please. Please spell your name for us as you're providing your testimony, before you jump into your testimony. We need that for the record. We will be working off a three-minute time frame, so you'll have a green light when you start. With a minute left you will go to yellow. And when your three minutes is up it will go to red. If you're not testifying today but would like your stand on the issue we're talking about to be known, please fill out one of the sheets in the back. There's an opportunity for you to sign the sheet in the back and that will be part of our formal record. If you have written materials for us, we need 11 copies. If you haven't got 11 copies now is a good time to get the attention of one of the pages over there and they'll get 11 copies for you. We need to make sure you speak into the microphone so that the transcribers pick all of this up. And we also want you to understand these microphones aren't for amplification. These microphones are for transcribers, so if you have a hard time hearing you may need to move a little bit closer up to the front of the hearing room. To my immediate right is committee counsel, Mary Jane Egr Edson. At the far right is the research analyst, Kay Bergquist. Committee clerk is Krissa Delka, she's over on my left. Our pages today are Jordan from Oakland and Kellie from Omaha, again here to help you as well as help us. And I'll ask the members of the committee to introduce themselves starting with Senator Davis.

SENATOR DAVIS: Senator Al Davis, District 43, which is 13 counties in north-central and western Nebraska.

SENATOR HARR: Burke Harr, Legislative District 8, which is midtown Omaha.

SENATOR BRASCH: Lydia Brasch, District 16, Washington County, Burt County, Cuming County.

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SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte and parts of Colfax and Stanton Counties.

SENATOR SULLIVAN: Kate Sullivan of Cedar Rapids, representing District 41, a nine-county area in central Nebraska.

SENATOR SMITH: Jim Smith, District 14 in Sarpy County.

SENATOR SCHEER: Jim Scheer, District 19, which is all of Madison County and a little hunk of Stanton County.

SENATOR GLOOR: Let me go to a script on this. I want to make sure people in attendance understand the purpose of this hearing. This hearing is not about all of the provisions on LB958; we've already had that hearing. It's about specifically the property tax credit provisions that are in the amendment that relate to ag-only property tax credit. I appreciate the fact that many entities represented here have tried to organize and be concise in exacting the testimony that I expect they're going to give us. And I'd encourage all in attendance who wish to testify to confine their comments to the ag property tax credit component. It's the only reason that we're here folks holding this hearing. We will hold a hearing on this no later than 4:00. At 4:00...well, actually, let me backup just a second and say, I'm going to reserve 30 minutes for proponents, then 30 minutes for opponents, then 30 minutes for those in neutral capacity so that we can fit into that time frame. If we get that much sooner, we'll revisit the issue and see if there's an opportunity to let other people speak if they've not had a chance to do so yet. At 4:00, we will have a hearing on the cost component of LB958. We've already had that hearing. However, since the amendment pares away all the entities with levy authority from that cost component, with the exception of community colleges, I have allowed for up to one hour for testimony. When we get to that point I'll ask for a show of hands. We'll see how many people are here to provide testimony and then we'll decide on our order of testimony at that point in time. But we will be finished with that hearing at 5:00 if we start at 4:00. If we start sooner, it'll be an hour after that starting point. I will be doing the presentation on the amendment. I'll turn the gavel over to Senator Schumacher. But as soon as I have opened on the bill I'll come back and resume the gavel at that period of time. Thank you. [LB958]

SENATOR SCHUMACHER: Senator Gloor, welcome to your committee. [LB958]

SENATOR GLOOR: Why, thank you, Senator Schumacher. And you thought you were going to chair the last meeting of the Revenue Committee this year. So did I. That was a long time ago. I'm Mike Gloor, G-l-o-o-r, I'm here to present AM2717 to LB958. The most important thing to note about this new amendment, it does not change any of the substantive provisions of AM2617

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that we were discussing previously in our Executive Session. It does clarify dates and dollar amounts as follows, page 2, Section 2: clarifies the limitation on carryover of unused restricted funds; clarifies that the new limitation does not take effect until fiscal year '17-18; does not change the calculation of restricted funds; does not prohibit the carryover of unused restricted funds; does not limit the amount that may be used in any one year. The limit is 3 percent of the total of restricted funds from the previous fiscal year, after accounting for the exclusions allowed, of course. It's drafted to mirror as closely as possible the similar language that currently applies to schools. And I want to take a moment to thank the State Auditor's Office with the amount of time they spent working with us to clarify the language to get it correctly. Page 3, Section 3, new language specifies the amount of the property tax credit for tax year 2017 will be increased by \$30 million for a total of \$234 million in property tax credit. This dollar amount is based on the concept of raising ag land value to 100 percent of market value for purposes of the credit instead of using taxable value, which is 75 percent of market value. Importantly, and I think misunderstood by folks when the amendment first came out, this amount holds harmless nonag property at the amount of their current estimated 2016 credit. There is no fiscal impact until fiscal year 2017-18. Taxpayers will not see this increase in ag credit until the end of 2017. Page 5, subsection (5), clarifies the calculation of the credit. And that is what is in AM2717. Members, you were given a packet yesterday. I know you all had that and I'm sure you've all had a chance to take a look at it. Some of you have asked questions about it. We prepared that to minimize, frankly, to try and eliminate questions back and forth and maximize the amount of time that we had available for people who wish to testify on it. But there certainly will be an opportunity for further questions when we go into Executive Session later this afternoon. And with that, I would end my closing on this bill. Thank you. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor. [LB958]

SENATOR GLOOR: Thank you, Senator Schumacher. We'll now begin with proponents for our amendment on LB958. Are there proponents for this bill? [LB958]

STEVE NELSON: Good afternoon, Senator Gloor. Good afternoon, committee. My name is Steve Nelson, S-t-e-v-e N-e-l-s-o-n, I'm a farmer from Axtell, Nebraska, where I farm with my son. We raise corn, soybeans, and hybrid seed corn. I'm here on behalf of the Nebraska Farm Bureau Federation of which I serve as president. We are in support of the amendment that was laid out by Senator Gloor. I'm very thankful for the hard work that you've done. I know you've worked very hard to get to this point and I know it's not been easy. And I appreciate all of the hard work of each and every one of you. Our overall goal is that we see less than 40 percent of school funding come from property taxes. This amendment is really not about that, but that's what we will be here to talk about next year as well. And we look forward to that discussion as we continue to work towards that goal. So again, I'm very thankful for the work that you've done

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and look forward to seeing the amendment and the bill on the floor of the Legislature. I would attempt to answer any questions you might have. [LB958]

SENATOR GLOOR: Thank you, Mr. Nelson. Questions? I see none. Thank you for your brief testimony. [LB958]

STEVE NELSON: Thank you. [LB958]

SENATOR GLOOR: Other proponents? [LB958]

JOHN HANSEN: Mr. Chairman, members of the committee, for the record my name is John Hansen, J-o-h-n Hansen, H-a-n-s-e-n, I'm the president of Nebraska Farmers Union and I also represent our organization in the Legislature. Our board of directors have gone over this proposal. They met last Friday...last Saturday and we had a very interesting discussion. And the discussion that we had there was similar to the discussion that we've been having at our spring district meetings that have started this week and will continue on into next week. And that is that they appreciate the effort. They are in support of it. It is not...if they had their druthers what they would like to see, they'd like to see something more structural, more sustainable, more long-term that gets to the business of addressing the inequities in the various revenue streams to develop a more fair and balanced way to pay for K-12 education. But that being said, there's a feeling on the part of a lot of folks that this is the third year of substantial reductions in net farm income. Folks are struggling to cash flow and that they don't want to be turning up their nose at anything that looks like any real relief. They wish it was sooner. If there was a way to find a way to fund it in 2016, they would prefer that. And there is a real crunch, in our opinion, in farm country. We are also part of the farm crisis hotline, we're getting about 233 calls a month on average. And these calls are substantially higher financial-need-based calls where folks are not just asking for minor things, they're asking for where do we go for mediation? Where do we go to get relief? How do we deal with letters from the bank indicating we're not going to be renewed? Those kinds of letters, those kinds of issues. So there is a need to do as much as we can as soon as we can. But we appreciate this effort, wish you well, and we'll be back as well over the long term trying to pursue the never-ending goal of a more fair and balanced way to pay for K-12 education. With that, I would end my remarks and answer any questions if you have any. [LB958]

SENATOR GLOOR: Thank you, Mr. Hansen. Questions? I see none. Thank you. [LB958]

JOHN HANSEN: Thank you very much. [LB958]

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SENATOR GLOOR: Next proponent, please. [LB958]

DAVE McCracken: Good afternoon, committee. My name is Dave McCracken, D-a-v-e M-c-C-r-a-c-k-e-n, and I'm a producer, a cattle producer from Friend, Nebraska. I am immediate past president of the Nebraska Cattlemen and I'm here today to appear before you to support AM2717 and LB958. We testified before this committee in support of the introduced bill and the Nebraska Cattlemen also appreciate all the work that the committee has done bringing it this far. We're thankful for that and we wish to support it. High real estate tax continues to be the number one issue at Nebraska Cattlemen. We hear about it every time we go to a statewide, national, any type of meeting where there's agricultural people involved. Real estate tax is the number one issue. When is relief coming? Ranchers and farmers who make their living from the land carry a disproportionate burden in Nebraska's tax structure. Our property is our business and whether it has been a good year or a bad year, real estate taxes must be paid. Nebraska Cattlemen has worked diligently over the years to develop a broad tax policy. And one piece of that policy supports the Property Tax Credit Relief Fund that this meeting is about as a method of providing tax relief and we appreciate that. Putting additional money in the fund is beneficial to all real estate taxpayers. We support the language in AM2717, including the provisions that pay the credit on 100 percent of the value of agricultural land and to hold the residential and commercial property taxes at their existing levels. The long-term solutions that Nebraska Cattlemen have arrived at are a fair, simple, and efficient tax structure that does not overly rely on real estate tax and the incentives to efficient government. NC believes that LB958 with the amendment is a positive first step toward meeting those goals. We intend to continue working on the tax relief solutions to shift the dependence away from agricultural real estate taxes in the future. Nebraska Cattlemen appreciates the work of Senator Gloor and this entire committee. Like I said, it's a very important first step. And we hope that we can continue to work with you in the coming years to improve it. Thank you. Any questions that I might answer? [LB958]

SENATOR GLOOR: Questions? Senator Davis. [LB958]

DAVE McCracken: Senator Davis. [LB958]

SENATOR DAVIS: Thank you, Dave. One thing that's always hard for I think people to understand looking at data is that it's...when we hear about the farm property tax issue versus a ranch property tax, it's kind of difficult. So I guess my question really is this: Does the national organization have data that is comparative data that would show what the property taxes might be on a recap that's produced on a ranch? (Inaudible.) [LB958]

DAVE McCracken: I think they do, Senator. I'm not sure, but I think they do. I've been doing this for 20-some years. If any of you remember, Senator Coordsen used to be sitting on this

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committee and, Dave, how we going to pay for it? The differences between us and over the border in Wyoming, Kansas, South Dakota, per cap basis are immense on real estate taxes. I can't give you those figures off the top of my head but if you'd be interested, we can sure see if we have those figures available. [LB958]

SENATOR DAVIS: Well, if you do it on the basis of a per cap basis, it's a more comparable... [LB958]

DAVE McCracken: Yes, I understand. [LB958]

SENATOR DAVIS: But I think the committee would be helped by seeing how devastating the property tax issue is for ranchers. [LB958]

DAVE McCracken: And if that information is still available...I had it at one time. If it's new information, we will make sure that it is made available. [LB958]

SENATOR DAVIS: Thank you. [LB958]

SENATOR GLOOR: Yes, Senator Harr. [LB958]

SENATOR HARR: Thank you, Chairman Gloor. Do you think we have a property tax problem or an ag land property tax problem? [LB958]

DAVE McCracken: Real estate problem. [LB958]

SENATOR HARR: Okay. [LB958]

DAVE McCracken: Real estate. There's lots of property in this state that are income producing that are not taxed every year. I mean, a banker lends money. That is not taxed every year, only on the income. We are taxed on the producer end of it plus if we make an income we're taxed on that also. So to me it's on the real estate. [LB958]

SENATOR HARR: Okay. [LB958]

DAVE McCracken: Not necessarily property, but real estate. [LB958]

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SENATOR HARR: Okay. So, but it's not just ag land, it's commercial, it's residential property taxes? [LB958]

DAVE McCracken: I think...I'm not from a urban area, but I think when I hear the urban senators talk, there's also...this year especially when they rose a little bit, that there's quite a bit of concern about real estate tax, yes. [LB958]

SENATOR HARR: Okay. Thank you. [LB958]

SENATOR GLOOR: Thank you. Senator Schumacher. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor. I'll play Senator Coordsen for a minute: Dave, how we going to pay for it? [LB958]

DAVE McCracken: Well, you know, there's all sorts of variations. And we haven't...we've discussed that over the years. Of course, we would like to see a more balanced approach to funding schools. I'm sure you're aware that a number of schools in the state receive no state aid. And we continue to pay our real estate taxes, our income tax, and our sales tax, but in some of our districts that doesn't return. So how we pay for it is probably balancing a little more constraint. Everybody always says, go to your local school district. I assure you, I've been there. So those are some of the answers, but how we pay for it is why we pay the senators the big bucks, I guess, sir. I'm not sure. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR DAVIS: Maybe you get what you pay for. [LB958]

DAVE McCracken: You said that, Senator. All right, is that it? Thank you very much. [LB958]

SENATOR GLOOR: Thank you. And we hope for better calving weather in the upcoming weeks. [LB958]

DAVE McCracken: Yes, sir. [LB958]

SENATOR GLOOR: Senator Wickersham. [LB958]

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BOB WICKERSHAM: Thank you. Chairman Gloor, members of the committee, for the record my name is Bob Wickersham, B-o-b W-i-c-k-e-r-s-h-a-m. I'm here to testify in support of the amendment to LB958. I am appearing on my own behalf. I want to congratulate the committee. I think this approach is far superior--Chairman, I'm sorry, I know we're not supposed to comment on the earlier versions of the bill--but this is a much better approach. I think you would have found that the approach in the bill as introduced was a very blunt instrument. In fact, I think you must have come to that conclusion because you sought for other avenues to provide property tax relief. I'm positive you're going to find this an efficient and effective way to deliver relief. You have been able to target it to a particular sector that has experienced substantial increases in the last eight years. I think that is an intelligent and rational approach and from the sounds of the previous testifiers, you're going to have good luck with it. And I think that's good for the Legislature and I think that's good for the state. I do want to comment, however, that I think that the bill could be improved in what may be a rather technical way. Thank you for that; I think your counsel knows what's coming. I'm going to suggest that on page...in Section--it's paragraph (5), it's in the last portion of the bill--you'll note that there are two provisions, two calculations. Those two calculations are recognition that you have two value standards for agriculture and horticultural land...two value standards for agriculture and horticultural land. It has been suggested to you in another bill that you only need one and that the appropriate standard is to value agriculture and horticultural land at its value for agricultural and horticultural purposes. And you could do that and you could reduce the calculations, the number of calculations, the amount of calculations that you see provided for in paragraph (5). You've had a hearing on the bill, but it could be amended in. You can call that single-value standard anything you want. What it's currently called is special value. I'm going to suggest the committee, if it was the only value standard for agricultural and horticultural land it ought to be called the agricultural value and that was the name that was suggested in a prior bill. With that, perhaps I hope gentle suggestion for improvement of the amendment, I would again wholeheartedly endorse the approach that the committee has taken. [LB958]

SENATOR GLOOR: Thank you, Senator. Senator Harr. [LB958]

SENATOR HARR: Thank you. And you are on the TERC board, is that correct? [LB958]

BOB WICKERSHAM: Yes. [LB958]

SENATOR HARR: Okay, so you're familiar with property taxes? You're familiar with property taxes? [LB958]

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BOB WICKERSHAM: Yes. Well, sir...Senator, I'm hesitating because when you say you're familiar with something that means that you may be an expert and I don't claim to be that. [LB958]

SENATOR HARR: Okay. Not an expert, but have you paid attention to ag values lately? [LB958]

BOB WICKERSHAM: Yes, sir. [LB958]

SENATOR HARR: Okay. Are ag values rising or lowering? [LB958]

BOB WICKERSHAM: They are rising and they may, because of the way the assessment system works, they may, in my estimation, continue to rise for at least another year even though there are market reports from the University of Nebraska that would indicate that values have either stabilized or are declining slightly. [LB958]

SENATOR HARR: Okay. So you would agree that there is contradiction as to what's happening? [LB958]

BOB WICKERSHAM: I think there is a little bit of a disjinder between the values that are produced in the current assessment system and the values that may be indicated in the kind of market surveys that are produced by the University of Nebraska. [LB958]

SENATOR HARR: So is it your contention that market rates are rising or lowering? [LB958]

BOB WICKERSHAM: My personal assessment is that for this calendar year, that ag values will be largely stable or decline slightly. [LB958]

SENATOR HARR: Okay. And I would agree with that. So I guess I would ask you, since markets fluctuate, do you agree with that? [LB958]

BOB WICKERSHAM: Yes, sir. [LB958]

SENATOR HARR: Okay. Would it be wise to have a sunset provision on this so that we can revisit...maybe five years from now commercial has taken off or residential and ag has remained stable or lowered? [LB958]

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BOB WICKERSHAM: Senator, you could have a sunset clause. My suggestion to you is that it is not necessary. I listened to the previous testifiers; you're not done with this issue. There's an old...I'm tempted to cite an old saying that the only two things certain in life are death and taxes. There is one more certainty and that is that the Legislature will have bills about this issue next year, in my view, Senator. I'm sorry, I don't mean to be abrupt about it, but it...this is not the end of the issue. I served on...served as Chair of this committee for a number of years. And we made significant efforts to resolve what was then described as the property tax issue--the basis for the issue has shifted somewhat--and we made some strides. In 2007 and 2008, property taxes actually went down on a statewide basis. That is unlikely to occur again because we used substantial state resources to achieve that result. To find that level of resources again and to throw them at an even larger tax base I think is unlikely. So again I'm going to suggest that whether you have a sunset clause for the particular provisions in this amendment or not, you're going to be back discussing this issue again. [LB958]

SENATOR HARR: Well, that leads to my question then. Do we have an ag property tax issue or do we have a real estate property issue? [LB958]

BOB WICKERSHAM: I think you have a little bit of both, Senator. But the problem has become most acute in the agricultural sector. And that has been driven by the really rapid--and I hesitate to say it--but I think somewhat unprecedented increases in value for ag land within the last eight years. And as I've indicated earlier, I think as far as assessment is concerned it's not quite yet done. That increase in value in the ag sector has resulted in a shift in property tax burdens that has been difficult to bear in the short run and maybe even more difficult to bear in the long run. [LB958]

SENATOR HARR: Wealth is an awful burden to bear. [LB958]

BOB WICKERSHAM: Yes, sir. [LB958]

SENATOR HARR: Thank you. [LB958]

BOB WICKERSHAM: If I might comment further, and I know that this... [LB958]

SENATOR HARR: I didn't ask a question. [LB958]

BOB WICKERSHAM: Excuse me? [LB958]

SENATOR HARR: I didn't ask a question. [LB958]

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BOB WICKERSHAM: All right, sir. [LB958]

SENATOR GLOOR: Any other questions? Seeing none...and I would say, on behalf of the committee, our thanks to you for some of your input. You and Ms. Lang were very specific in saying, try and do the relief as directly as possible as opposed to working through elaborate formulas. And that discussion was referenced several times as we held our Executive Session. So thank you for the effort and time you've put into giving us a little additional guidance. Thank you. [LB958]

BOB WICKERSHAM: That's very gratifying. Thank you. [LB958]

SENATOR GLOOR: Next proponent, please. [LB958]

DENNIS SCHUSTER: (Exhibit 1) Mr. Chairman... [LB958]

SENATOR GLOOR: Name. [LB958]

DENNIS SCHUSTER: My name is Dennis Schuster, D-e-n-n-i-s S-c-h-u-s-t-e-r, and I'm a farmer from southeast Nebraska. The sheet of paper that we're handing out is an idea, an approach that I had. First off, I want to say, I, as a farmer--and I speak for thousands of farms in the state of Nebraska--we appreciate what you're trying to do, but what this is is not enough. There's different ways...I think the biggest problem out here with the state education and ag land out here is the equalization aid part of it. In this sheet you got here you're going to find...we've got roughly 298,000 students, state of Nebraska. Our equalization aid last year was \$863,457,571. That figured up to almost \$2,893 per student. Total state aid, if you take the 298,000 times \$973 million, that figures up to \$3,200 per student, roughly. We've got roughly 65,000 students in the state that are not getting any state aid or equalization aid...let me put it equalization aid. So if you take that equalization aid that the 65,000 students are, take it away from your 298,000, you've got 65,000 students here. Well, if you take 233,000 students, divide that into equalization, that bumps it up to \$3,698 per student. Now you always talk just about George Coordsen. I knew George real well when he was a senator here and stuff like that. He says, where are we going to get the money? I think the mindset at this Revenue Committee, we're going to have to do a little bit of taxing to get this ag land situation straightened out. And what I did here basically is 65,000 students and I went times \$2,000, \$2,500, or \$3,000. And at \$3,000, it figured up to \$195 million. Where we get that, .75 cent sales tax off the revenue that we took in there. A .25 cent sales tax will bring you in roughly \$70,000. A 1 percent sales tax would bring you in \$280,000, excuse me, I'm not used to speaking in these big of numbers all the time as far as me out here in agriculture. But it's plain and simple. All we ask for in agriculture, as farmers, is fairness. We want fairness. And we are paying the majority of the education out in

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the rural sector and that's where it's all at today. Now I'd like to take any questions or anything like that. I've got plenty of stuff, facts to back everything I'm saying here. [LB958]

SENATOR GLOOR: Mr. Schuster, I need to ask you, would you consider yourself a proponent of the amendment that we're talking about here today? [LB958]

DENNIS SCHUSTER: I want you to see if we can get some relief. Yes, I'm for this,... [LB958]

SENATOR GLOOR: Okay. [LB958]

DENNIS SCHUSTER: ...but it is not enough. [LB958]

SENATOR GLOOR: Okay. [LB958]

DENNIS SCHUSTER: So that's what I'm saying. And I think there's other ways to do it. I brought this up to you today to...it seems like it takes a year or two years. We've been at this for three years and we're not getting nothing. And what I'm saying is, I thought I'd bring up...just to get some ideas in the head. It seems like it's so hard to get ideas, you know, and I think this is a very simple idea that is manageable. But I think the thing is, so worried about paying taxes. We're going to have to pay it somewhere. [LB958]

SENATOR GLOOR: That's true. Are there any other questions? [LB958]

SENATOR HARR: Just one question, sir. [LB958]

SENATOR GLOOR: Senator Harr. [LB958]

SENATOR HARR: Thank you, Chairman Gloor. Why did you choose sales tax over income tax? [LB958]

DENNIS SCHUSTER: The Governor don't want it. It's simple. [LB958]

SENATOR HARR: Do you think he would take any type of increase in taxes? [LB958]

DENNIS SCHUSTER: I don't think he will do anything. I'm just suggesting this way. [LB958]

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SENATOR HARR: Okay. [LB958]

DENNIS SCHUSTER: Now, you asked about ag land, if this is an ag land issue or a commercial issue. I feel it's an ag land issue and I'll give you an example. At Crete packing plant down here, guess how much they paid on their...guess what it's valued at and what they pay on taxes on that plant. [LB958]

SENATOR HARR: I would know neither/nor. [LB958]

DENNIS SCHUSTER: Okay. It's valued at \$14.5 million and they pay \$179,000 taxes on that plant. Now that plant probably generates billions and billions of dollars. And yet there's...you know, you were talking the commercial versus the ag land values. This is the disparity we got out here. And I bet you if I check all the beef packing plants in the state I'd find the same thing. [LB958]

SENATOR HARR: But they probably pay more in income tax if they make billions upon billions. [LB958]

DENNIS SCHUSTER: That might be so. But I'm sure they got other ways of hiding that, too. [LB958]

SENATOR HARR: Okay. Thank you. [LB958]

SENATOR GLOOR: Thank you, Mr. Schuster. [LB958]

SENATOR DAVIS: I still have one question. Thank you, Mr. Schuster. Following through your explanation, you have the \$973 million. Where did that figure come from? [LB958]

DENNIS SCHUSTER: That came from the state calculation. I got that there. I got it from the Education Department. It's for 2015 and '16 and it shows all of this here. That is total state aid. [LB958]

SENATOR DAVIS: That's total state aid? That was my question. [LB958]

DENNIS SCHUSTER: That's total state aid. Excuse me, Senator, yes, total state aid. Now the thing that I might comment on is, if we all got the same equalization it would be \$2,800 versus \$3,600. [LB958]

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SENATOR DAVIS: Right. I just didn't follow where that figure was. [LB958]

DENNIS SCHUSTER: Right. That is total state aid. And I wanted to bring that out, you know, because there's option aid, there's other aids out here. I spent two weeks getting all this information and finding out what's going on here, because I want to...I'm a person that wants to know why. Why this and why that and where it's going to come from. Yes, sir. [LB958]

SENATOR DAVIS: Part of that is ran off the school land and things like that. Thank you. [LB958]

SENATOR GLOOR: I'm going to cut off questions. We have I think other...I want to make sure everybody has a chance to testify as the clock begins to run out on this. So thank you, Mr. Schuster. [LB958]

DENNIS SCHUSTER: Thank you. [LB958]

SENATOR GLOOR: Other proponents? Are there other proponents on this bill? Well, I guess all I had to do was say that and I scared some people off. We'll now move to opponents to this bill. Anyone in opposition? [LB958]

BRUCE BOHRER: (Exhibit 2) Good afternoon, Chairman Gloor and members of the Revenue Committee. I'm Bruce Bohrer, B-r-u-c-e B-o-h-r-e-r, for the record. I'm here on behalf of the Lincoln Chamber of Commerce, the Greater Omaha Chamber of Commerce, and the Nebraska Chamber of Commerce and Industry. We have submitted a letter that includes our opposition to the community college provisions of this bill. But I know you've said to confine your remarks just to the property tax credit portion, so I'll do that and I'll be back up later on the other. [LB958]

SENATOR GLOOR: Okay. [LB958]

BRUCE BOHRER: So our concerns regarding the property tax credit, we acknowledge that valuation increases in agriculture and horticulture land, particularly over the last few years, have burdened agricultural operations. We do not believe, however, that proposed adjustments in funding of the Property Tax Credit Fund as proposed under AM2717 will result in meaningful, sustainable property tax reform. In this regard, we can no longer continue to support the concept of providing additional funding from state sales and income revenue sources as a solution to achieving any long-lasting, sustainable property tax reduction program. I'm going to skip through some of this. I assume you all have the letter in front of you. The amendment also introduces a

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new element to the property tax credit program by preferential treatment in the valuation of agriculture and horticulture land for credit purposes, for tax credit purposes. And we're concerned that this innovation does not necessarily lead to sustainable, predictable relief for property taxpayers as some local taxing entities may consider themselves freed up to raise property taxes further, due to the existence of an offset. There are many people also in this state who do not own real property and, as such, do not benefit from the state funded property tax credit. Since its inception in 2007, the credit has been funded by everyone in Nebraska who pays income and sales tax. And so, in addition, they pay for the operations and programs of state government as well. Finally, we're concerned that the precedent of favoring one class of property taxpayers over another may lead to unintended consequences in the long term. In the future, should agriculture and horticulture land values decrease significantly while residential and commercial land values become inflated, the public policy precedent under AM2717 may be reversed in favor of other classes of property owners. Finally, we believe that this proposal moves Nebraska further from the concept of uniformity in property taxation, with the stated intent of retaining the current lower property tax application for residential and commercial property owners and increasing the credit for owners of agriculture land in using general state revenues to fund this. So we are opposed for these reasons. You can read I think maybe a few other reasons that are included in the letter. But I want to stand for any questions that you might have. [LB958]

SENATOR GLOOR: Questions? Senator Brasch. [LB958]

SENATOR BRASCH: Thank you, Chairman Gloor, and thank you, Mr. Bohrer, for your testimony. I have received correspondence of people extremely critical of the Nebraska Tax Advantage plan on how it gives extra to businesses. Do you think that that's maybe a problem as well? Businesses seem to like that plan where it's different taxes in exchange for economy, which agriculture is also an economy. Or do you think that that's not preferential? [LB958]

BRUCE BOHRER: Well, it's a performance-based plan that looks at investment, a tremendous amount of investment, and also job creation. [LB958]

SENATOR BRASCH: And I'm familiar. I've supported the plan in the past. But just listening to your testimony, I'm starting to rethink... [LB958]

BRUCE BOHRER: Yeah. [LB958]

SENATOR BRASCH: ...here that perhaps all of the correspondence I'm having, that this, too, is not based equally across all incomes, all business. [LB958]

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BRUCE BOHRER: Nebraska Advantage is fairly uniform in its application as far as you need to meet certain requirements. It doesn't matter where the company would be. [LB958]

SENATOR BRASCH: But there are exemptions. Property taxes...and some of the municipalities are saying that it affects them in different ways as well. It's great to get the jobs back. I support that, absolutely. But at the same time, if an industry for the sake of growing in industry...I just wanted to comment that. And I won't ask any other questions. Thank you. [LB958]

BRUCE BOHRER: Okay. I would hope you would reconsider that just because I think the Nebraska Advantage program allows us to remain competitive and also allows us to grow our economy and grow our population. [LB958]

SENATOR BRASCH: As does agriculture. Agriculture also is working competitively globally. [LB958]

BRUCE BOHRER: Absolutely. Absolutely. [LB958]

SENATOR BRASCH: Thank you, sir. [LB958]

SENATOR GLOOR: Okay. Senator Davis and then Senator Smith. [LB958]

SENATOR DAVIS: Just to follow up on what Senator Brasch is saying. So you think that these programs keep us competitive, the Advantage programs and those types of things? [LB958]

BRUCE BOHRER: Yes, sir. [LB958]

SENATOR DAVIS: So do you understand that because agriculture is a commodity, that it's a worldwide commodity that tax policy within our state has an effect on our competitiveness? [LB958]

BRUCE BOHRER: Absolutely. [LB958]

SENATOR DAVIS: So if we're the top one or two states in the nation, doesn't that put our agriculture producers at a competitive disadvantage? [LB958]

BRUCE BOHRER: Well, I don't know for sure. Maybe it does. I think the other thing that we're talking about here is also local control and being involved in local elected officials' decisions. I

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know the state does not levy a property tax. We do levy income taxes, we levy sales taxes. And my constituencies are talking about that and we feel that those are high in the state as well and have an impact and I think probably most people would acknowledge have an impact on our competitive position for growing jobs. You know, we were in front of this committee on a bill related to software as a service and the fact that we're one of a very small number of states that tax that. And we've got a great little group of companies not only in Lincoln, but in Kearney and all across the state doing custom software that as they mature they're certainly going to look for other places to go. [LB958]

SENATOR DAVIS: And so because agriculture is stuck here, then it should just carry the burden? [LB958]

BRUCE BOHRER: I didn't say that. I didn't say that. I think we should look to try to make it more competitive for agriculture, too. I'm just saying that what we're talking about here seems to be putting more and more pressure on the idea that we'll never get to income tax relief and really never be able to push down on sales tax either. [LB958]

SENATOR DAVIS: I think we could talk for a long time, but I'll stop. [LB958]

SENATOR GLOOR: Senator Smith. [LB958]

SENATOR SMITH: Thank you, Mr. Chairman. And thank you, Mr. Bohrer, for coming and testifying today. You know, I think we've had these conversations that there's an interdependence between businesses across our state, whether it's agriculture, nonagriculture, small business, large business. As goes one, so goes the others. And I think what I'm hearing in your testimony is a lack of caution that we do not make adjustments that with the intention of helping one harms the other. And from the Chambers of Commerce's perspective, do you agree that we need to think maybe more broadly in terms of a coalition of businesses across the state... [LB958]

BRUCE BOHRER: Absolutely. [LB958]

SENATOR SMITH: ...that for farming it may be property; for some large businesses it may be income; for some small businesses it may be a combination. [LB958]

BRUCE BOHRER: Yeah. I agree with that wholeheartedly, Senator Smith. And if my comments led any senator to believe that we don't appreciate agribusiness and agriculture in this state, then I want to make sure I clarify that we absolutely do and understand the importance of it. But we have to understand the importance of businesses in urban centers, too. Like I said earlier, we saw

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in the paper today about our population growth. You saw where a lot of that population growth was coming. I like a comment that one of the economists made that we had a study done said that those opportunities help Nebraskans remain Nebraskans. I'm a guy that grew up in a small farming community in central Nebraska. I had an opportunity to come here to Lincoln and I wasn't going to be able to...I actually have a cousin...you know, we heard from Steve Nelson. I have a cousin that farms out near where he farms, too. You probably didn't even know that. But I wasn't the one that was able to keep the farm. I had to go do...and find something else to do. And so I think we have to have those opportunities for everyone as well. [LB958]

SENATOR SMITH: Mr. Bohrer, as a small business person I'm not certain that the Chambers of Commerce always represent my feelings or beliefs. But you are a voice for business in our state, just as Mr. Nelson who came up earlier in support is a voice for the agriculture business. And I think we need to hear those voices and we need to somehow build a broader coalition. So thank you again. [LB958]

BRUCE BOHRER: I agree wholeheartedly. I think we all have an interest in growing our state and growing our economy. We would probably all like to see us move beyond 1.9 million. And that's my cautionary tale or cautionary note here is, it seems like what we're doing here is putting more and more pressure on areas where we see opportunities that make us more competitive. We've had studies done by economists that say they caution more tax on productive capital; more tax on income is going to drive people out of here. [LB958]

SENATOR GLOOR: Senator Schumacher. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor. So I think that your discussion brings up the kind of box that we find ourselves in. We saw the tremendous increase in the wealth of the agricultural estates in the last five or six years. The property tax mechanism behaved as it ought and it increased taxes accordingly. So you have a great increase in wealth and a great increase in taxes. [LB958]

BRUCE BOHRER: Yeah. [LB958]

SENATOR SCHUMACHER: We know that our income taxes are, at best, at the high end of normal,... [LB958]

BRUCE BOHRER: Right. [LB958]

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SENATOR SCHUMACHER: ...maybe the low end of high. We have the usual case of 7 percent sales tax and I think Commissioner Ewald right before he left his position with the Tax Commissioner's Office did a study using some computerized train model that says if we were going to give tax relief, we'd get more economic bang for our buck if we put it toward sales tax. And so where...and nobody's volunteering to cut spending in any significant way. We'll probably hear today how more and more spending by at least one governmental entity is really needed. [LB958]

BRUCE BOHRER: Right. [LB958]

SENATOR SCHUMACHER: So help us out of the box. [LB958]

BRUCE BOHRER: Well, you know, I appreciate your question, Senator. And I think you'll remember when we had you over to speak to a forum, you talked about magic. And I don't have any magic for you today, unfortunately, but I do think that's what it takes. And I don't want to be glib about it, I really do appreciate the effort that goes into trying to come up with something that will be supported by a consensus of people and certainly a majority. It is very difficult. And I understand as an opponent here today that I'm making it even more difficult I suppose. But I want to just make sure that you understand the position and the viewpoint of a lot of our members that we're concerned about this. And we've repeated it for the last three years about what our issue is and our concerns about income tax. And I know it's very difficult and we've been told to wait. I really wish we could put some kind of comprehensive package together. But that kind of comprehensive package also would, like you said, include some type of effort to control spending locally. And I know there's a lot of pushback on that. [LB958]

SENATOR SCHUMACHER: We're certainly looking forward to Mr. Houdini's testimony. [LB958]

BRUCE BOHRER: Yeah. Yeah. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

BRUCE BOHRER: You're welcome. [LB958]

SENATOR GLOOR: Thank you for your testimony. Continue with opponents. [LB958]

JOHNATHAN HLADIK: (Exhibit 3) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Johnathan Hladik, it's J-o-h-n-a-t-h-a-n H-l-a-d-i-k, I own a

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small farm in Burt County, Nebraska, and I am also the policy director at the Center for Rural Affairs. I'm here to testify in opposition to LB958 and amendment, of course, AM2717. We're concerned that this proposal provides just enough token relief to move from this body a sense of urgency that many landowners in Nebraska do not have the luxury of escaping. And I think some of the testimony today reflected that. USDA uses three broad categories to classify farm operations: A residence farm is a family farm that makes less than \$350,000 in gross cash farm income and the principal operator is either retired or in a nonfarming primary occupation. An intermediate farm is a family farm that makes less than \$350,000 in gross cash farm income and the principal operator farms as his or her primary occupation. And a commercial farm makes greater than \$350,000 in gross cash farm income. This category includes both nonfamily and family farms. According to the USDA the commercial farm designation applied to just over 12,000 farms in Nebraska in 2014, 12,354. Though only 26 percent of the total number of farms in Nebraska, these farms owned 69 percent of the total farm acreage and accounted for approximately 88 percent of net farm income in 2014. You can see this demonstrated in the pie chart and I apologize if the font is too small to read, but the colors should be obvious. From here we can consider the profitability of each of these three classes of farms. Over a five-year period beginning in 2010, commercial farms earned an average annual net farm income of \$321,054. Residence farms averaged \$11,492 and intermediate farms averaged \$22,694 of income. If we were to assume uniform land value, which I know isn't accurate but it's an easy way to make this calculation, this data shows that approximately 69 percent of the \$29 million set aside for property tax credit under AM2717 will be paid to family and nonfamily farmers with a net farm income over \$320,000. Put another way, this proposal would put approximately \$20 million of taxpayer dollars in the pockets of the just over 12,000 farmers in Nebraska that are already earning over \$320,000 each year and it would leave only \$9 million of property tax credits to be split between the remaining 36,131 Nebraska farmers that account for the remaining 74 percent of total operations. Because of that, we feel that LB958 as amended by AM2717 doesn't achieve the property tax relief that most farmers and all Nebraskans are looking for. Instead, it again is a tax break for the wealthiest landowners and leaves the rest of rural Nebraska behind. I'll take any questions. [LB958]

SENATOR GLOOR: Mr. Hladik, let me ask this question. What is very obvious to us and may not be obvious to the general public is the fact that we have days, some would argue hours, in order to get a bill out and then get it approved. My concern would be--and let's assume for the sake of argument that I am in rapture over your proposal... [LB958]

JOHNATHAN HLADIK: Thank you. [LB958]

SENATOR GLOOR: ...but if that were the case, in order to do that I think we'd be talking about missing the opportunity to do what currently is in front of us. How do you feel about your

proposal in that light? Are we better off waiting to try and move forward with this approach and pass up the opportunity to do something this year? [LB958]

JOHNATHAN HLADIK: Well, I think in this unique case, your proposal would take place in 2017, it wouldn't even kick in for 2016, so either way we're going to be waiting a year anyway. And we've seen land values decreasing, we've seen a lot of turbulence in the ag commodities market, much for the worse for most farmers. And so... [LB958]

SENATOR GLOOR: Well, your assumption there is, given the fact that two-thirds of the body will have two years or less of experience that the group that sits down to discuss this next year will want to continue moving forward. You're right in terms of the delay, but you're not right in terms of having to make a decision this year that would then at least be locked in to begin in another year and a half. [LB958]

JOHNATHAN HLADIK: I do agree it's pressing. And I did vacillate when deciding whether to testify as neutral or in opposition. And I had the benefit of talking to a number of family farmers who all felt that this was more insulting than some of our previous proponents have said, just because it does seem like a token relief. I think some of the testifiers that may follow me can break down exactly what this would look like on the property tax statement for a lot of landowners in Nebraska. And it's relief that matters in a really tough economy and I agree with that wholeheartedly. But I think on the part of a lot of farmers, they would feel as if this would be a reason not to take this seriously and not to make real reform next year and maybe the year after. And I'm not suggesting I support that but Senator Harr mentioned, for example, a sunset provision. And I think that signals to a lot of people that this is something you intend to look at again. But those are tough decisions and that's why you make a lot more than I do. [LB958]

SENATOR GLOOR: Okay. Senator Schumacher. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor. So basically, if I understand your testimony, you're kind of saying that your observation is this is a pizza with very little topping and the biggest pieces are going to the wealthiest agriculture estates? [LB958]

JOHNATHAN HLADIK: That is a metaphor that I hadn't thought of. But I feel that when we look at this, there are a lot of farmers that are struggling, as Mr. Hansen pointed out. And a lot of those farmers that are having the harder time don't have the luxury of \$320,000 in that farm income; those have a lower luxury. And we're giving them a \$9 million property tax credit. So it's pizza and hopefully the toppings are adequate for the season. [LB958]

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SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: Yes. Senator Brasch. [LB958]

SENATOR BRASCH: I will try to be brief here. And thank you for testifying. I am a little unclear on...okay, who is paying the...everybody is paying these taxes, right? The family farm, the commercial farm, they're all paying their property taxes, their ag land taxes, correct? [LB958]

JOHNATHAN HLADIK: Hopefully. [LB958]

SENATOR BRASCH: I don't...do you know of a single county that they're not collecting taxes for ag land? [LB958]

JOHNATHAN HLADIK: No, I don't know of any. [LB958]

SENATOR BRASCH: I don't either. And what we're attempting to do by this credit is to help offset the amount of taxes that increase year after year. And as Chairman Gloor indicated, that in this window of time we're attempting to return some of that credit. Would you agree with that? [LB958]

JOHNATHAN HLADIK: I do agree that does appear to be the intention of this amendment. [LB958]

SENATOR BRASCH: And then I do want to add, when you were mentioning those that are earning a larger share, I've done my own survey and many of them with aging parents and some with health... dementia and different issues that are very expensive...it's private pay. And so looking at a...you're not putting the entire story out there for the entire ag population, I believe. Have you looked at... [LB958]

JOHNATHAN HLADIK: Allow me to distinguish. I'm talking about net farm income, which does include the wages paid to the landowner. [LB958]

SENATOR BRASCH: Okay. [LB958]

JOHNATHAN HLADIK: Household income is entirely different. And that would maybe what you're alluding to. [LB958]

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SENATOR BRASCH: And that's where I am, too. When I hear people talking about wealth, it's not always that...this is not about wealth, this is about taxes paid. And attempting, while we have no formula in place, to look at a change, a short-term solution perhaps. [LB958]

JOHNATHAN HLADIK: A lot of them will. And thank you for your tough work, I know it's late in the session and you guys have put a lot of work into that. [LB958]

SENATOR BRASCH: So I appreciate your response. I don't have any other questions other than I wanted to make sure that there isn't a county out there not paying ag land value or ag taxes or any taxes. [LB958]

JOHNATHAN HLADIK: Well, you and I both know that's not Burt County. [LB958]

SENATOR BRASCH: I don't think it's...yes. Thank you. [LB958]

SENATOR GLOOR: Thank you for your testimony. Could I see a show of hands of how many more people are left to speak in opposition? We have about ten minutes left. Just two more people? I'm seeing that right? Okay. Good afternoon. [LB958]

RENEE FRY: (Exhibits 4, 5) Good afternoon, Chairman Gloor, members of the Revenue Committee. My name is Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. I'd like to begin by saying that we think today's amendment to LB958 is a significant improvement over LB958 as introduced. It eliminates the unintended consequences that would have arisen from the underlying bill. We also recognize the agricultural landowners have seen their property taxes rise steeply over the past decade. And I understand that there is no quick and easy solution to address our structural overreliance on property taxes. That said, we have some significant reservations about the policy approach of the amendment that put us in a position of opposition to the amendment. Number one, we're extremely concerned about passing a tax cut this year and leaving it to the 2017 Legislature to figure out how to pay for it, almost a third of whom will be newly elected. And as, Senator Gloor, you mentioned, two-thirds with two or fewer years of experience. And this approach to cutting taxes now and figuring out how to pay for it later has led to significant budget problems in states across the country, most notoriously in our neighboring Kansas but also in other states such as Oklahoma and North Carolina. Already faced with the budget shortfall passage of this amendment will leave lawmakers with no wiggle room for future budget needs, the state already faces a \$106 million shortfall in the next biennium. And this doesn't include any bills that are likely to pass this session. If this amendment passes along with only those bills that are currently on Select File and Final Reading as of yesterday, our projected shortfall would be at least \$191 million next biennium. And this doesn't include any other bills with a significant fiscal impact, such as elimination of the

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minimum levy adjustment and repeal of the common levy at the Learning Community. If you look at the handout I passed out, inclusion of these bills would bring the shortfall to \$240 million next biennium. We also have concerns with the politics of this proposal. So let's assume that the amendment passes. Come December when the property tax postcards come out, ag landowners won't see an increase in their credit. They'll want to know where their piece of the \$30 million is. And then they'll be told that they won't receive their credit until the end of 2017. And when they do get it, a farmer with \$1 million of agricultural land will receive an additional credit of approximately \$235, which is likely to seem nominal at best. By then, it's possible that the urban senators may feel as if they've already voted to do their part to support ag landowners. Will they have the motivation to do any more? Our concern is, at the moment and pressure for real, meaningful reform will have passed. The reason I bring this up is that we want the same thing as the supporters do, fundamental property tax reform. And I know many of you want that same thing. And we recognize that ag has picked up a disproportionate share of the property tax bill, especially K-12. We also know that we have growing needs in our urban school districts that need to be addressed. But we believe this amendment will be a roadblock to any meaningful reform and puts the next Legislature in a box and ties their hands and could prevent them from doing anything fundamental in order to keep the commitment made by this amendment. And it removes the political leverage to do anything meaningful permitting urban senators to move on. While there are laudable components of education reform that will be discussed next week, in addition to this bill there are no corresponding revenue increase to pay for them. So while laudable, we don't know yet what we will have to give up in cuts in order to get this incremental reform. And it will remain to be seen until next biennium if it was worth it. And with that, I'd be happy to answer any questions. [LB958]

SENATOR GLOOR: Are there any questions? Seeing none, thank you. [LB958]

RENEE FRY: Thank you. [LB958]

SENATOR GLOOR: And our final opponent. Good afternoon. [LB958]

HANNAH YOUNG: (Exhibit 6) Hello, Chairman Gloor and the Revenue Committee. My name is Hannah Young, H-a-n-n-a-h Y-o-u-n-g, and I am here on behalf of Nonprofit Association of the Midlands as representative. Unfortunately, our CEO cannot be here but I have a letter that she has written. Nonprofit Association of the Midlands is a statewide membership organization that represents nonprofit organizations of every size and mission. Nebraska's nonprofits provide services to everyone from the most vulnerable to the most resource secure. In fact, every Nebraskan uses a nonprofit every day and 1 in 11 workers in our state are employed by a 501(c)(3) nonprofit business. Nebraskans value good schools and safe communities. Nebraskans also value paying for our bills and making tough decisions for what we can and cannot afford. The

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\$29 million tax cuts that are being discussed as part of the amendments to LB958 without a designated revenue source is bad tax policy. LB958 would force future lawmakers to take funding from other vital services Nebraskans need, such as healthcare, education, and public safety. Additionally, LB958 sets a dangerous precedent, putting policymaking responsibility to pay for the tax cut on the next Legislature. This kick-the-can approach to tax cuts has led to budget crises in states across the country, including Oklahoma and Kansas. Nebraska offers a good quality of life and the Legislature should focus on making sure the state has the resources necessary to continue this strong tradition. Nebraska needs a tax system that allows the state to invest in things that boost its economy and that average families rely on, like top-notch neighborhood schools, world-class university, and safe communities. For these reasons, NAM, Nonprofit Association of the Midlands, voices opposition to LB958 amendment. Thank you for your time and consideration. [LB958]

SENATOR GLOOR: Thank you, Ms. Hindry (sic). Questions? I don't see any. Thank you. [LB958]

HANNAH YOUNG: Thank you. [LB958]

SENATOR GLOOR: And we have time for one final opponent if there is one final opponent. If not, we'll move to neutral testimony. Neutral testifiers, please. [LB958]

LARRY DIX: (Exhibits 7, 8) Good afternoon, Senator Gloor, members of the Revenue Committee. For the record, my name is Larry Dix, spelled L-a-r-r-y D-i-x, I'm the Executive Director of the Nebraska Association of County Officials appearing today in a neutral capacity to both the amendment and the bill. What I'm passing around...and really, our part of this...I want to just make some assumptions from a technical point of view because from our side of it, from counties, we're the ones of course that are going to have to do the calculation and make sure that we do the calculation properly the way you folks intended it and obviously issue the tax statements. So there's two documents that I'm handing out. One is a property record card and the other one is a tax statement. And I just want to go through this property record card. Nothing magical, it just happens to be an agricultural piece of property. It is our understanding, our assumption that when I look at this property record card, on the right-hand side you'll see something that says assessed. And in there you see a couple of values that I have marked beside that, market value. This is the part of an agricultural parcel that is valued currently at 100 percent of the market value. When you go below that and we get into irrigated land, dryland, grassland these components of value are the components that will be accumulated together and we will apply the ag land property credit to these values. The values that I referred to before as far as the land, they will have an application of the current property tax credit. So when I look at this statement, in the upper portion of it I've got buildings...and I'm on the right-hand side. You'll see

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buildings, improvement, land and lot. So buildings are at 100 percent, buildings and improvement are currently at 100 percent of value. They will get a factor of the current property tax credit. The lot/land, we'll take that number, we will subtract out what I had marked as market value, because...and what will be left will get the ag land credit. And I think that is the assumption. I just want to make sure I'm just doing this just so that we're all in agreement and so that when we have a conversation with the counties, everybody is doing this consistently. If that is the safe assumption, then the only other thing that I point out is on the tax statement. Currently today, we have a line that says tax credit and you'll see that on this statement. Once this bill goes through we will still have a line of tax credit. That tax credit line will reflect both the agricultural property tax credit and the residential, commercial, industrial property tax credit. They will be lumped together on this statement. And that's an assumption we're making. I'll open it up to any questions that anybody may have. Thank you. [LB958]

SENATOR GLOOR: Thank you. Senator Davis. [LB958]

SENATOR DAVIS: Couple of questions. You're not special value here today, right? [LB958]

LARRY DIX: Yeah. [LB958]

SENATOR DAVIS: Question I had, Senator Brasch introduced a bill that we heard. And that bill, as I recall, takes the home site if it's a farm back to ag. So how would that...where would that impact? [LB958]

LARRY DIX: Right. Depending on the outcome of that bill. If we look at this particular parcel the first line here says home site. It's my understanding of that bill--and Senator Brasch has a better understanding of her own bill probably than I do--but that particular one acre would then be valued similar to agricultural land. So that parcel or that line item would carry a reduced value. And then under this bill, then that would be grouped in with all of the other ag land values, the irrigated, the dry, the grass. And then the special ag land property tax credit factor would be applied against that. [LB958]

SENATOR DAVIS: To that, okay. [LB958]

LARRY DIX: That's how I...that's my understanding of it. [LB958]

SENATOR DAVIS: Thank you. [LB958]

SENATOR GLOOR: Other questions of Mr. Dix? Seeing none, thank you. [LB958]

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LARRY DIX: Thank you. [LB958]

SENATOR GLOOR: And we note the questions. Thank you. Others in the neutral capacity? No other testifiers? I will waive closing on this bill then. And that will end this portion of the hearing. We'll now move to our discussion on the community college component. And note: We will end that at 4:10; we're starting now at three minutes after 10:00. We'll start with...I think that leaves us an opportunity for about 20 minutes in each category. So I will start with proponents. Opponents for the amendment or the proposal. How about a show of hands for those who wish to testify and speak to us on this subject today. Yeah, why don't you come up front if you would, please. We need you up front so we have an idea and, again, can reduce the amount of back and forth and people wondering if somebody is going to speak. That will allow us to do right by you, too. Okay? So let's start with opponents, please. Proponents. Opponents. We're at opponents. No one is an opponent? Okay. Then those in a neutral capacity. I did... [LB958]

SENATOR SMITH: I think they may be confused. I think there's some confusion here. [LB958]

SENATOR GLOOR: Okay. We're talking about people who are supportive of the bill as it currently standards and what it purports to do in terms of...and with the amendment address cost controls for community colleges. If you like that, you are a proponent. Is there anybody here who's a proponent for the bill as proposed? Okay. Those who don't like that, who would be considered opponents of it. And we would like to hear from those opponents now. (Exhibits 9-30) There's no stigma attached, we just have a definition issue here, so. Oh, and by the way, I'm sorry, I need to do something quickly. I need to read in from the previous bill testimony that we had sent to us. Proponents: Al Juhnke, Nebraska Pork Producers Association; Larry Gronewold, self, citizen of Nebraska; Larry Mussack, Nebraska Corn Growers; Rod Hollman, self, Martell, Nebraska; Dennis Fujan, Nebraska Soybean Association; and Roger Brandt, self, from Carroll, Nebraska. Opponents: Rex Felker, self, Enders, Nebraska; Tom Placzek, Platte County Assessor; Greg Smith, President, Central Community...oh, this is--I'm going to go ahead and read them in anyway because it's for the amendment overall--Greg Smith, President, Central Community College; Mike Lucas, STANCE; Richard Walter, Chairman, Village of Shickley, Nebraska; Tom Skaff, self, Norfolk, Nebraska; James O'Rourke, ag landowner, board of education member, Chadron, Nebraska; Mike Marvin, Nebraska Association of Public Employees; Brian Turner, Distefano Technology and Manufacturing and Behlen Manufacturing; Terry Werner, National Association of Social Workers; Katie Pitts, Nebraska Appleseed; Randy Sandman, Rural Telecommunications Coalition of Nebraska; Jack Dunn, Policy Research and Innovation. And neutral capacity: Andrew Lee, self, North Platte, Nebraska; Juliet Summers, Voices for Children in Nebraska; Jason Hayes, Nebraska State Education Association; and Mary Lou Block, self, Gothenburg, Nebraska. Thank you. Sorry to have to do that, but otherwise we forget. A lot of people would be disappointed thoroughly. Thank you. Go right ahead. [LB958]

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DALE KRUSE: Good afternoon. My name is Dale Kruse, D-a-l-e K-r-u-s-e. I am the chair of the board of governors of Southeast Community College. I am 1 of 11 elected officials on the board, which includes farmers, business owners, educators, a minister, a lawyer, retirees, and many other professions. SCC has a long history of providing affordable and high quality programs which provides outstanding employees with skill levels demanded by the employers of southeast Nebraska and across the state. The proposed amendment to LB958 would have very serious negative and immediate consequences to the employees, employers, communities, and students in our service area. The proposed amendment would eliminate and/or prevent access to our existing unused budget authority of over \$30 million, require dramatic increases in tuition, make higher education unaffordable for students that need it the most, and require boards to reduce or eliminate costly career technical programs at a time when employers are demanding more skilled workers. For over ten years SCC has maintained a very low general fund levy. We saw this as prudent, but we also knew that aging facilities and ever changing advances in technology and equipment eventually would require us to make major changes in the college. And when that time came we would need to access our unused budget authority. In July of 2014, we started developing a new strategic plan which included discussions with employers and community leaders in each of our 15 counties. One consistent theme that was discussed was that SCC needed to expand many of its programs. From here a strategic plan was developed that addressed the need for learning centers, aging facilities, and waiting lists in many of our programs, such as welders, associate degree nursing, practical nursing, and many academic transfer courses. In September of 2015, we authorized a number of new initiatives, including the establishment of six learning centers throughout the service area, hiring faculty in welding, nursing, and precision agriculture to meet employer demand, the addition of safety and security personnel, and the development of a facilities masters plan. We were able to do this by increasing tuition, the local levy, and also accessing our unused budget authority. We did this with great thought, purpose, and deliberation. The proposed amendment would not allow the college to implement initiatives demanded by employers and communities, such as the learning centers, and would remove our authority as a board to make these kinds of local decisions. The amendment would treat the community college differently by allowing some of the colleges to utilize their maximum authority while others, including SCC, would not be able to do so. SCC's levy would be frozen at a rate much lower than most of the colleges at a time when SCC is trying to meet the demands of employers, communities, and students. The college would need to reduce and/or eliminate costly career technical programs at a time when there's a shortage of qualified workers in these areas. The proposed amendment would have boards with no choice but to increase tuition dramatically, which would price some students out of the ability to go to college. The amendment would go into effect in 2016, giving the college little or no time to prepare for an anticipated impact. I would also tell you the presidents of the six community colleges have been working on a new funding formula for over a year, which they plan to introduce in 2017. I would ask that you delay action till next year and allow the president to produce the new formula model which will address property taxes. I know you understand the importance of serving your constituents. I

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urge the committee to continue to allow the local boards to serve their constituents through the authority they were given as an elected official and so we can continue to meet the demands of employers and the communities that we serve. I greatly appreciate your service to Nebraska and to community colleges. Thank you. [LB958]

SENATOR GLOOR: Thank you. Questions? Senator Sullivan. [LB958]

SENATOR SULLIVAN: Thank you, Senator Gloor. Thank you for your testimony. Do you have any idea how much on an annual basis you have accessed from your unused budget authority? [LB958]

DALE KRUSE: The exact number, I don't know. I do not know how much we have. [LB958]

SENATOR GLOOR: Senator Schumacher. [LB958]

DALE KRUSE: Yes. [LB958]

SENATOR SCHUMACHER: Thank you for your testimony today and pointing out some of the issues that the language might create. Nevertheless...and really a little bit of congratulations, because it looks like Southeast has only had in the last ten years after inflation adjustment a 70 percent increase compared to double that by a couple of your other community colleges. How is it that you've held the line to half of what a couple of the others have and have you just deferred spending? And so can your taxpayers expect to see the unsustainable increases that the others have? [LB958]

DALE KRUSE: I can't speak for the others because I don't know what they've done specifically. I know, as I said in my presentation, whenever we make any adjustment to changes we deliberate long and hard and talk to our 15 counties to come up with if we are able to meet those needs with the tax level that we have. That's the best answer I can give you at this point. [LB958]

SENATOR SCHUMACHER: Are you going to be able...the figure for you after adjustment for inflation was 70 percent increase over that ten-year period. Are you going to be able to hold the line or are you going to have to... [LB958]

DALE KRUSE: It will depend on what our communities and employers in our 15 communities request us to do. The example I gave is that we went around to make our strategic plan and asked our communities, all 15 counties, what do we need to do? And they overwhelmingly said, you need to get away from Milford, Beatrice, and Lincoln where your three main colleges are at and

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give us more learning centers out in the rural area. We need that. And with that, we said, that will take additional money to cover that. They said, we understand that. It's going to serve each one of our communities and our areas. And so we provided that for them. [LB958]

SENATOR SCHUMACHER: And so right now today you can't say if you're going to be able to hold the line on the rate of increase that you have? [LB958]

DALE KRUSE: No. I don't know that we can guarantee anything into the future. [LB958]

SENATOR SCHUMACHER: You've got to have some feel for it. [LB958]

DALE KRUSE: The feel for it would be, yes. [LB958]

SENATOR SCHUMACHER: Okay, thank you. [LB958]

DALE KRUSE: The feel for it would be, yes. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

DALE KRUSE: And we have ten years of that...following that. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: Senator Brasch. [LB958]

SENATOR BRASCH: Thank you, Chairman Gloor. And first of all I want to ask, are any of the employers providing tuition assistance for your students? [LB958]

DALE KRUSE: Yes. [LB958]

SENATOR BRASCH: And I personally am aware of here at Southeast, some employers even 100 percent if it's for a occupation that they are trying to fill a gap in. Is that also true? [LB958]

DALE KRUSE: That's my understanding also. [LB958]

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SENATOR BRASCH: Okay. Which is a very, very good thing. What concerns me is just what Senator Schumacher had mentioned, that we've been doing some research too. And it is a 70 percent increase. I think that's a lot, even though it's less than a couple others it's still a lot. And what are your current levies? Are you aware what your levy is? [LB958]

DALE KRUSE: The levy right now, our general fund levy is 5.98 cents, 5.94 cents. The overall levy with the capital fund is 7.58 cents. I mean, you've got that in front of you so I'm close to that. [LB958]

SENATOR BRASCH: Oh, yes. So it is, you know, you are...you have a pretty healthy levy there. And the property tax increase, is that 103.5 percent? I don't know. Are you aware of what the property tax increases have been of those students who are coming to your...you know, maybe the families that are attending the schools that the property tax burden? You're mentioning a burden that the school would carry, but would you agree that the landowners are also carrying a burden? [LB958]

DALE KRUSE: Well, certainly. And the burden...yes, I understand. Yes. They are carrying a burden, absolutely, with taxes. Absolutely. [LB958]

SENATOR BRASCH: All right. And thank you for recognizing that, because at this point the intent of the committee is to somehow in some shape and form is to look at where some of the heaviest taxation or tax asking is coming from. And are the colleges aware of that? And I think you are, because I was called outside the glass to talk to your organization yesterday. Any options here that you can offer? Are there any options? [LB958]

DALE KRUSE: You've covered a couple of things. I'm not sure what the question is. The options for... [LB958]

SENATOR BRASCH: Like Senator Schumacher said, is there any potential relief in taxes or asking of taxes from your college or others, perhaps? [LB958]

DALE KRUSE: Most of the things that we look...that drive us is our...the constituents in the 15 counties that we have on advisory boards and that we go and get information from as to what programs we need to do. And when they say, we need these programs or we need people trained in this area and you need to do that, they also know that we need to do that, we need to find revenue and funds to do that. And we've done the best we can trying to be as aware of what's taking place with each individual tax owner and so forth. [LB958]

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SENATOR BRASCH: Okay. I have no other questions. [LB958]

DALE KRUSE: Okay, thank you. [LB958]

SENATOR BRASCH: Thank you. [LB958]

SENATOR GLOOR: Senator Davis. [LB958]

SENATOR DAVIS: Just a couple questions. So when you decided to go into the other communities to build structures, tell me how that decision was made. [LB958]

DALE KRUSE: First off, we haven't decided to build structures. Some communities had structures available that we can lease and so forth, just so that we're clear with that at this moment in time. That decision was come about with having our president...giving our president the direction to get information and gather and to develop the strategic plan which also involved the possibility of learning communities. He went to all 15 counties, made himself available to all 15 counties to gather input. And from that we as a board said, if we're going to do this we want to make it as accessible as we possibly can for the people in all those 15 counties. And so we looked at it and said, nobody should have to travel more than 35 miles to go to a learning center for Southeast Community College. We should make it as convenient as we possibly can for those individuals. And from that we developed or the administration developed six areas; actually, there's a few more areas than that. Then they went and talked to those areas and see what kind of support there would be for that and what they would want in those areas. And so all those are in the process of going. [LB958]

SENATOR DAVIS: So who then comes to these meetings? [LB958]

DALE KRUSE: We have business owners, we have agriculture, we have local residents that come to these, you could call them town hall meeting, to determine what was going to be going on in their community. [LB958]

SENATOR DAVIS: And I think that sort of leads into my question is, do you have any idea what the property taxpayer...I mean, what percentage of those people are significant property taxpayers in those communities, because it's really easy for a nonproperty taxpayer to say, yes, build a million dollar school? [LB958]

DALE KRUSE: Oh, absolutely. Absolutely. I guess my...I can't give you a percentage of that. I would tell you, of the ones that I attended of the town hall meetings--I'll call them--that I

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attended, when you have a local farmer making comments and saying they needed this type of people or you have the local factory owner or the local businessman that's hiring people and say, we need this in our community, my assumption is that they're property taxpayers. [LB958]

SENATOR DAVIS: Thank you. [LB958]

SENATOR GLOOR: Senator Sullivan. [LB958]

SENATOR SULLIVAN: Thank you, Senator Gloor. I'm curious as to what sort of courses are offered at these learning centers. If you're trying to provide for the needs of employers, what's your capacity in terms of the kinds of curriculum you can offer at all these different learning centers? [LB958]

DALE KRUSE: Each one of those learning centers has an advisory board. And so each one will be able...which we made up of these same people that had been attending the town hall meetings. And if they...in one learning center if they...if an employer said, we need more welders, we will look to see...obviously, we're not going to build a welding lab. But we may be able to look to use something in the local high school to train welders at different times on weekends, nights, and so forth. If some of them say, we need more access or we have people needing more access to classes, we'll have the computer labs in learning centers and maybe access them that way. It will depend on what the advisory committee for that learning center feels that community needs and we'll try to find a way to match up with it. [LB958]

SENATOR SULLIVAN: If most of your classes are held in the evenings, how much do you utilize the existing public school for the sort of outreach if there is a public school in the community? [LB958]

DALE KRUSE: Ask that question again. I'm not sure...if most of our classes... [LB958]

SENATOR SULLIVAN: Do you use the public...do you cooperate with the public school? Yes? [LB958]

DALE KRUSE: Do we do now? Yes, we do. But it's also it's limited because of during the day. And if somebody only has access...they can only get access during the day, it's pretty difficult to get into the public school because those buildings and facilities are being used then. [LB958]

SENATOR GLOOR: Let me ask a question. It's almost a chicken or the egg question in many ways, but certainly what we hear is people are tired of paying high property taxes. And so the

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question is, are we dealing with a situation here where people, because they're paying high property taxes are saying, well, if we're paying high property taxes we want the services provided by the community college or other entities? And if property taxes went down, would people be as demanding of those services? Is it one or the other or both? I think some of our concern is...some of my concern is that some of the demands for services are coming from people who are saying, well, if we're paying, then we want to see what we're getting for our money. Have you had that discussion at all? [LB958]

DALE KRUSE: Yes. Yeah, and I would say some of that thought process, if I'm understanding what you're asking is, that's where some of the learning centers came from. As people, as we went out to 15 counties, as our president went around to 15 counties and saying, what more can Southeast do for you? One of the things they were saying was, great school in Lincoln, great school in Beatrice, great school in Milford. That's a long ways for our people to go and sometimes we want to keep people in our community but we want to serve them somehow. And we're already paying--I think I'm going to your point--we're already paying property taxes, can we have some of that here? And that's where the learning centers came from, but we also knew that to have somebody there on a continuous basis to meet people's needs it would take some additional funds to do that. But yes, I think some of that is. [LB958]

SENATOR GLOOR: You think they'd be as excited if they had to go through a bond election and vote for a bond? [LB958]

DALE KRUSE: My feeling is, yes. [LB958]

SENATOR GLOOR: Okay. [LB958]

DALE KRUSE: That's my feeling. [LB958]

SENATOR GLOOR: That option would still be available to you under the provisions of this bill. [LB958]

DALE KRUSE: Correct. But the bond elections...as in most cases with K-12 education, you build the facilities and you pave the roads, but you've got to put desks inside and you've got to hire staff to do those things. [LB958]

SENATOR GLOOR: Okay. Senator Schumacher. [LB958]

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SENATOR SCHUMACHER: Just one follow-up. Does Southeast have a distance learning computer Internet type service? [LB958]

DALE KRUSE: Yes. Yes. [LB958]

SENATOR SCHUMACHER: And does each of the other community colleges have a distance learning Internet service? [LB958]

DALE KRUSE: I can't speak for them. My assumption would be, yes, but I can't speak for them. [LB958]

SENATOR SCHUMACHER: And does the University of Nebraska and the three state colleges have a distance learning service? [LB958]

DALE KRUSE: My understanding they do. [LB958]

SENATOR SCHUMACHER: And so if each one of these people have developed the overhead for a distance learning service to teach accounting 101, introduction to--whatever--English, isn't that...and you're not personally familiar with what the others are doing, isn't that a tremendous waste? Do we need more than one distance learning service on the taxpayers' nickel? [LB958]

DALE KRUSE: I don't know that I can answer that, not knowing all the details from all the other entities and how they do it and what their overhead and cost is. I know ours is very minimal. We have the lowest tuition in the state for the college that we charge students and so forth. Without having the facts to look at and be able to compare that would be probably unfair for me to answer. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: Thank you, Mr. Kruse. [LB958]

DALE KRUSE: Thank you. [LB958]

SENATOR GLOOR: I appreciate your time and patience in answering all the questions. [LB958]

DALE KRUSE: I'm just a servant like you. [LB958]

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SENATOR GLOOR: Thank you. [LB958]

RANDY SCHMAILZL: (Exhibit 31) Good afternoon, Chairman Gloor and members of the Revenue Committee. My name is Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l, and I'm the president of Metropolitan Community College and we serve Dodge, Douglas, Sarpy, and Washington Counties. I'd like to thank you for the opportunity to testify today on the amendment and then specifically the community college portion. I'm here today to testify in opposition to the proposed 3 percent cap on unused restricted revenue for all community colleges. While I understand that we're seeking to hold down property taxes for agricultural land, this portion of the amendment may not meet all those goals. I passed out the lid calculation. The community colleges are under a lid and also under a levy limit lid. And this is a hypothetical, the numbers there I plugged in so they're not...the real numbers are on file with the State Auditor's Office. But I'd like to clear up any misconceptions about community college revenue and spending. Recently it's been reported that community colleges are not subject to any form of revenue or spending lids. That's not an accurate statement, as you can see in front of you. We already have limits in the form of restricted revenue lid and levy lids. And the first, the restricted revenue lid, limits our restricted revenue authority to the greater of 2.5 percent or the percent of full-time equivalent student enrollment growth. Similarly, the property tax levy lid is 11.25 cents, which includes a 2 cent capital lid limit. Because restricted revenue is comprised of property tax and state aid the property tax revenue already falls under the 2.5 percent restricted revenue, serving as an additional lid for the colleges. Do you want a nation of future flexibility? The existing lid structure requires that community college boards balance their current student enrollments, operational requirements, and capital investments to meet their areas' educational work force needs. The current lid model has allowed colleges flexibility to spend all their restricted revenue authority but carry forward unused restricted authority for future strategic or emergency needs. I would like to say Metro's \$30 million-plus of carryforward has been a labor of love by our board. When our enrollment went up 21 percent in one year our budget did not follow; we made do with what we had. And that's why our unrestricted number is so high, because we didn't dip into that revenue when we needed it. We haven't been raking it in at Metro like maybe many across the state in terms of property tax increases. Your budget formulas will show that the unused budget authority does not equate to cash reserves. It's not cash, there's no cash value. It's the capital...if you want to suddenly withdraw things, you're going to have to budget for it. Instead, it simply represents the maximum restricted revenue authority that could be accessed if, and only if, the revenue is there on the other side of the funding equation. In the case of Metro Community College, again, we access 84 percent of our authorized taxing authority. And for us, our geographic area, it includes only 5.5 percent of agriculture land in our property valuations. The planning for this is going to be tough because if this goes into effect in 2016-17 we have a number of issues and budget requirements out on the table already for the future. Finally, I'd like to...I know you all understand the value of education in community colleges to your district. The complexities of community college funding deserves full and measured consideration rather than

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a single variable that may or may not impact different parts of the state the same way. I would like to suggest the Legislature look at the whole picture of what makes up community college funding. You heard earlier about the funding formula. There's tuition and property tax and I can state unequivocally that Metro Community College and the other five colleges in the state would enthusiastically participate in any remedy to what we're looking at for the long haul. [LB958]

SENATOR GLOOR: Thank you. [LB958]

RANDY SCHMAILZL: Thank you. [LB958]

SENATOR GLOOR: Senator Brasch. [LB958]

SENATOR BRASCH: Thank you, Chairman Gloor, and I'll be brief. Thank you, Mr. Schmallzyl (phonetically). [LB958]

RANDY SCHMAILZL: Schmayzl (phonetically) is fine, yeah. [LB958]

SENATOR BRASCH: Schmayzl (phonetically). Okay. [LB958]

RANDY SCHMAILZL: Thank you. [LB958]

SENATOR BRASCH: Please don't interpret that we don't see a value in community colleges. You do serve a great purpose and we appreciate the work. What we're trying to do though is take a look at how...because you're a taxpayer, too. Correct? [LB958]

RANDY SCHMAILZL: Yes, I am. [LB958]

SENATOR BRASCH: And collectively we're going to hear everyone come up here and, it's only \$30 million here, it's only \$20 million there, it's only \$40 million there. And good grief, it's all coming out of everyone's pocket and at this point in time we are looking for a solution. And when you mentioned, you know, we have some figures...are you aware of your current levy? [LB958]

RANDY SCHMAILZL: Yes, 9.5 cents; 7.5 general, and 2 cent capital. [LB958]

SENATOR BRASCH: And the property tax increase--what I have is from 2005 to 2015, a ten-year period--it's been 100.6 percent increase. And when you look at the inflation adjustment, it's

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from 2005--a ten-year period--it's 68.1 percent increase. And I think over the last ten years the state was in a recession until recently and we're lowering down. Are there any solutions that you can offer? I know you're in the process of building a new campus somewhere. [LB958]

RANDY SCHMAILZL: I'm not familiar with the numbers that are stated there. [LB958]

SENATOR BRASCH: They're from the Revenue Department, is what we've asked for. And we... [LB958]

RANDY SCHMAILZL: Our take was that our property tax appreciation in our four counties, they only went up about 14 percent or 16 percent during that time. [LB958]

SENATOR BRASCH: And not necessarily your campus, but when I hear of somebody building and I know of Dana College just sitting there ready... [LB958]

RANDY SCHMAILZL: Yeah. [LB958]

SENATOR BRASCH: ...for the taking at a much, much less dollar... [LB958]

RANDY SCHMAILZL: We...I can't say because we get state funds that there's no state money in our building project. But there's \$45 million of private support that we raised, and then \$45 million of college money that we appropriate towards that, which is a \$5 per credit hour student fee, and our property tax. So when we look at state money I consider property tax state money. But we did not look at purchasing Dana campus because we had a little site in Blair already and we since... [LB958]

SENATOR BRASCH: I've been in your building. Sure. Yeah. [LB958]

RANDY SCHMAILZL: Since that time we've closed it down and we're doing public meetings in Blair to see what else we can do (inaudible)... [LB958]

SENATOR BRASCH: And it's okay, this is not about Dana. I'm just saying that when you talk about \$30 million here and we're going to hear...we've got a group of, what, six with millions for something or another. And I believe we're all partners in looking at some type of relief, so. But I wanted to be very clear that your courses are valuable and as are the others. However, like typical families, we can't afford all of this right now, that we need to stay on a pay as you can go system. So I have no other questions. Thank you. Thank you, Chairman. [LB958]

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SENATOR GLOOR: Senator Schumacher. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor, and thank you for your testimony. You, just like Southeast, are running about half of the rate of increase of inflation adjustment than a couple of the community colleges. But in trying to look for an answer here, do you have a full-service distance learning program? [LB958]

RANDY SCHMAILZL: We have 6,000 students enrolled in our distance learning and it's used as a supplement. The answer is, yes. It's used as a supplement to our regular courses. So it's not a fully funded program but students that have blended courses, maybe some are on campus, some are off and others that cannot make it to campus, our program meets that need. So it's a large program. [LB958]

SENATOR SCHUMACHER: And to your knowledge, does each of the other community colleges do that? [LB958]

RANDY SCHMAILZL: I know Southeast has one because I heard that. [LB958]

SENATOR SCHUMACHER: Okay. So there hasn't been any active effort to coordinate to have one model, one distance learning set of courses available. We're instead duplicating that throughout maybe the community colleges, the three state colleges, the university all to get our accounting 101 courses out there? [LB958]

RANDY SCHMAILZL: We work hard with the university to coordinate, because we do the first two years and stay out of the third and the fourth years. So I think more of our courses are your starter courses that you would have. [LB958]

SENATOR SCHUMACHER: I would imagine that would be the case with everyone. [LB958]

RANDY SCHMAILZL: ...maybe the university wouldn't be offering in their on-line system. So that's a perfect example of why this should be studied and looked at to stop any duplication of services that's going on and to get that out on the table. I know our board and myself would agree totally with looking at what Metro does. [LB958]

SENATOR SCHUMACHER: Now, one quick final question. Is there any...I understand the state throws some money toward the community colleges, too. [LB958]

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RANDY SCHMAILZL: Yes. [LB958]

SENATOR SCHUMACHER: Is there anything in the way that money is thrown toward the community colleges based upon FTEs or who gets the student markdown so that that's causing some of this duplication of what we're seeing in distance learning? [LB958]

RANDY SCHMAILZL: Yeah. That's why the whole last summer, the whole last year we looked at that funding formula, because four years ago we solved our funding formula temporarily. And I agree with you, the funding formula needs to be looked at and it could be a problem. Dual enrollment in high schools, they could be paying twice for high school students that not only get paid through TEEOSA but through the community college. So there's a lot of duplication to look at, but that's why I don't want to see us just focus on one variable. I think the whole picture of how community colleges operate is an important thing. [LB958]

SENATOR SCHUMACHER: Right. And you were here listening to some of the farm groups say, we've waited too long for our tax cuts. [LB958]

RANDY SCHMAILZL: Yeah, I did. I agree. I can...yeah. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: Seeing no further questions, thank you, Mr. Schmailzl. [LB958]

RANDY SCHMAILZL: You bet. [LB958]

SENATOR GLOOR: Continuing with opponents. [LB958]

PAUL ILLICH: (Exhibit 32, 33, 34, 35) Good afternoon, Senator Gloor and the Revenue Committee members. Thank you very much for giving me this opportunity to give some testimony. My name is Paul Illich, P-a-u-l I-l-l-i-c-h, I am the president of Southeast Community College, and I'm going to be testifying in opposition to the amendment. One of the things...to avoid being redundant, one of the things that I wanted to mention right at the offset of what I heard earlier was that when we talk about property tax and we talk about our board and what their role is, one of the really critical things is we've got those three sources of revenue. The reason why Southeast Community College and the other colleges can keep their tuition down around \$90 absolutely is because of that property tax. And the reason why that's so important is that the heart of our mission is to remain open door. If we are no longer affordable, we're no longer going to be open door, so I kind of wanted to mention that. I also wanted to sort of

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respond to some of the questioning because I think they are great questions. And one of the questions is, well, why the learning centers? I was challenged when I came here about a year and a half ago to put together a strategic plan. And I'm a researcher by training and so one of the things we did was a very, very careful study of how we're positioned. We did surveys. We looked at employer demand statistics. You really don't want to start a new work force and technical program if you don't have evidence there is a demand in a particular area in a particular industry. So we looked at all that and it was very clear we had a physical presence in only 3 of the 15 counties. And so we really did that based on very solid data, survey data, all kinds of data, so that was really important. But what we told the board, once we had this strategic plan there was no way to move forward unless we invested in that plan. So that's one of the great things about these three sources of funds. The local governing board, I can assure you--you heard from my board chair--they are very, very careful when they make decisions about investing and how we move forward. So I really wanted to make sure I talked about that. As you've already heard, this would basically remove that unused authority or certainly remove access to it. The other thing it would do is it would only allow us to carry forward that small amount of money, which we have 81 percent of our total budget in personnel costs. And so just in obligatory increases you would have per year it would be difficult to even cover those costs. One of the things that you heard already is in the current technical programs--this is one of the wonderful things about community colleges--is we are designed to be very flexible. So, for example, we had an opportunity to get into precision ag recently and we did that. That required an investment. Many of those programs are very expensive and we need to be positioned to handle that. And that's one of the reasons why it's so critical we maintain some unused authority to be responsive to the employer and community needs. So with that, I'll go ahead and close. But what I can tell you is that I think I heard a lot of different questions or comments about the need to see both sides of it. And I think you heard from my board chair that over the last year we've been studying very carefully a new funding formula model that would, in fact, take into consideration some of the concerns that the committee has expressed here. And I appreciate your support for community colleges. I think it's a wonderful model that we have. I think we've got a wonderful mission. And I think, at the end of the day, it's about the student, keeping it affordable because when you have more students what do you have? More employees. More employees, more folks that can divvy up that property tax by. So I think we play a very critical role and I appreciate your support. [LB958]

SENATOR GLOOR: Thank you, Mr. Illich. Questions? Seeing none, thank you for your testimony. [LB958]

PAUL ILLICH: Thank you. [LB958]

SENATOR GLOOR: Continuing with opponents. Anyone else providing testimony in opposition? [LB958]

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JOHN HANSEN: Mr. Chairman, members of the committee, again for the record my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, I'm the president of Nebraska Farmers Union. We are long-time supporters of the community college system. Our organization was on the ground floor helping create the community college system and we are big supporters of it. We partner with them wherever we can on programs and activities. But in our view the way that we pay for community colleges has climbed up the ladder and it's a simple ladder to understand. And that is that when you get your tax statement you look at where your money goes and it's now high enough up it's getting a lot of scrutiny. And so the amount of scrutiny and the amount of input that we're getting all the time is going up. And I think on down the road I think we're going to have to take a more comprehensive look at how we go about the business of funding community colleges, depending on what we do with how we fund K-12 education. But my opposition today is a practical one. And that is that the time in the session is so short and that we actually do really want the additional targeted property tax relief and that I would hate to see it get bogged down unnecessarily with the community college section on. And I think that...so, for my standpoint it's a vote-counting perspective. And so the amount of time it takes on the floor, is it worth it? Is the community college issue something we're going to have to look at on down the road? The answer is, yes. And so for that reason I would offer just that bit of perspective. And with that, I'd end my comments. [LB958]

SENATOR GLOOR: Thank you, Mr. Hansen. Senator Schumacher. [LB958]

SENATOR SCHUMACHER: Thank you, Senator Gloor. We earlier heard testimony that this package would give a whopping \$235 in tax reduction for a million dollars in value of roughly a buck or two an acre. Nobody can get too excited about that. So wouldn't it be almost better for us to defer this to try and address all the issues you just raised rather than come back next year, having made a commitment to this program and then trying to readjust things to some other ideas if there are any? [LB958]

JOHN HANSEN: Well, Senator Schumacher, you've gotten down to the kind of the metrics of the math and the calculation. And even a really skimpy bird in the hand is better than one in the bush. And in our view, there's going to be a lot of changes next year and that's not lost on us. And so it seems like every cycle, now that we're doing term limits, we're seeing more turnover that causes...you know, this is a complicated business. And so by the time we get folks educated it seems on all the intricacies of tax policy, it takes a good eight years or six years or however long, but then folks are gone. And so we're going to lose a lot of expertise next year. And so we would make the practical calculation to lock in what we got. And the other issues aren't going to go away and we're here to...we're going to be back. And if somebody...if we come up with a better, more comprehensive approach more to our liking, well, we're going to be for that next time. [LB958]

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SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: That's the most polite way I've heard somebody say, the devil I know versus the devil I don't. Is there another question? [LB958]

JOHN HANSEN: Thank you, Mr. Chairman. [LB958]

SENATOR GLOOR: Questions? No further questions. Thank you. Anyone else in opposition? Good afternoon. [LB958]

SCOTT VOLK: Good afternoon. My name is Scott Volk, I'm the vice president of MetalQuest Unlimited in Hebron, Nebraska. I appreciate everyone's time this afternoon. We are an employer... [LB958]

SENATOR GLOOR: Could I ask you, please, to spell your name for us? [LB958]

SCOTT VOLK: Absolutely. It's V-o-l-k. We're an employer in southeast Nebraska in Hebron. We employ 65 employees right now, 25 percent of which are Southeast Community College graduates. We feel that this bill would be very detrimental to both MetalQuest and manufacturers in general. It is incredibly difficult for us to get the talent that we need and the community college structure is where we find that talent. How I was made aware of this bill was, I approached President Illich at Southeast Community College about what Southeast was doing to help attract new talent, because it's in such short supply right now for us. He let me know that this bill would be very detrimental to the college, with their ability to grow. I am an adviser for both Central Community College and Southeast Community College on a couple of different boards and I've seen firsthand how having a modern, state-of-the-art facility and equipment brings students into the program. I actually, myself, pushed the Milford campus of Southeast Community College a few years ago to add onto their facility to try to attract new talent because it's in such short supply. We literally have 300-plus employers at any given time challenging for maybe ten students and I see that this bill is actually going to take things backwards. My biggest concern being that if there's a cap the first place that everybody cuts is the capital intensive programs. And, unfortunately, in my line of work, with manufacturing it's very capital intensive. So what I'm afraid of is our programs are going to be either pulled back, at best, or completely eliminated. And I feel that manufacturing--I've been told, at least--is the second largest economy in Nebraska. I feel that this talent pool is where most manufacturers pull their talent from in this state. So I feel that this is actually a major negative to this state if we're going to try to grow manufacturing. Any questions? [LB958]

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SENATOR GLOOR: Okay. Senator Brasch and then Senator Davis. [LB958]

SENATOR BRASCH: Thank you, Chairman Gloor. And, Mr. Volk, thank you for coming here today. [LB958]

SCOTT VOLK: Absolutely. [LB958]

SENATOR BRASCH: I truly value our community colleges and our tech schools. And, quite frankly, what I find troubling is your statement that said it's going to be detrimental if they can't grow. Our population of our state in the last ten years has only grown slightly, not even a whole percent. But the taxes that property people are paying to support these colleges, has grown 129 percent. And that's troubling to me. I believe the colleges will continue to have steady, if not increased...but I do believe that good employers, like yourself, who see the benefits of those students and the value and that perhaps a better partnership with businesses could be built. What are your thoughts about that? [LB958]

SCOTT VOLK: As a taxpayer, I agree that I don't like taxes going up as much as the next person. But I feel that this is not the best place to be holding back or cutting...I don't know if it's actually cutting back, but holding back that growth. There is a lot of partnerships going on. The problem comes back to this being a very capital intensive type of program, the manufacturing programs. And for employers to put their resources together when we're all competing for such a small pool of talent, it makes it really difficult for us to spend literally millions of dollars to get a couple of employees. When we're already putting so much tax money into the system, it would be really nice to be actually be able to reap some of the benefits that we're already putting in there. And I feel that, personally, there might be other places that we could look other than the college structure, especially the part of the college that is really fundamental and key to the manufacturing base. I'm actually also the chair-elect of the Nebraska Manufacturing Advisory Council. A couple months ago we came out as a group and made the statement that we felt that this--the base that I'm talking about right now, not at the university level but at the community college level--is really where our talent pool is at and where we feel that there's a lack of skills. So, yes, from a taxpayer perspective I don't like the taxes going up. But from an employer's perspective it makes me very nervous that we're going to start going backwards even more than we already are if this bill were to pass. [LB958]

SENATOR BRASCH: I appreciate your comment. One more question... [LB958]

SCOTT VOLK: Absolutely. [LB958]

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SENATOR BRASCH: ...is now, the colleges aren't actually...students are going into a classroom and then they're also like interns or something within your facility. Is that true? I see more of that. We don't need to build another manufacturing plant just to train students in, correct? [LB958]

SCOTT VOLK: We don't need to build a new one, but we need to improve what we have. What we have right now is severely lacking. In fact, if I wouldn't have pushed for what I did a few years ago the students would literally be working on World War II equipment and that's not an exaggeration. That's a travesty. It's embarrassing. [LB958]

SENATOR BRASCH: And this equipment is for classroom purposes only? [LB958]

SCOTT VOLK: Right. But it's like teaching a student to grill on an open flame out in the woods when he's going to culinary school. That would be the same type of perspective. [LB958]

SENATOR BRASCH: I see I'm running out of time. Thank you. [LB958]

SCOTT VOLK: All right. Thanks. [LB958]

SENATOR GLOOR: I need...we're starting to run out of time here. How many people are here to speak in a neutral capacity? And how many people yet to speak in opposition? Okay. I need to cut off questions. I'm sorry, group, we won't be able to do justice to everybody that's here. Thank you for your testimony. We appreciate it, Mr. Volk. [LB958]

SCOTT VOLK: Absolutely. [LB958]

SENATOR GLOOR: We'll continue with those who wish to speak in opposition. And, again, if you're going to provide testimony please move up front. Go ahead. [LB958]

GALEN BOLDT: (Exhibit 36) My name is Galen Boldt, G-a-l-e-n B-o-l-d-t, I'm superintendent of Wahoo Public Schools and I'm representing really the school and the community today. First of all, we applaud the efforts of the Revenue Committee to address property tax relief for Nebraskans under extreme difficulty of circumstances, satisfying a wide range of taxation issues. From our perspective, however, the bill further illustrates what seems to be a larger issue with the erosion of local control. The limitation on budget growth for community colleges would have a serious impact on current collaboration between the Wahoo community and Southeast Community College to establish regional learning centers in better meeting not only our educational needs, but the educational needs of many residents of Saunders County. Current state

regulations assigned Wahoo and all of Saunders County to Southeast Community College's region for access to continued education. This education is not limited to postsecondary experiences, but also to the collaborative efforts of Southeast Nebraska Career Academy program that's been a powerful expansion of offerings for students in Wahoo Public School during their junior and senior years. The past several years our students have had access to college credits and career building opportunities for this partnership with many of our students graduating from high school with up to 35 credits, all paid for through SCC and WPS. This partnership has been the result of better connecting educational needs with postsecondary and business community as outlined in Nebraska's efforts in P-16. Those goals include the following priorities: Help increase Nebraska's two-year and four-year college going and graduation rates; help increase the education level of Nebraska's citizenry and work force, thereby enhancing the quality of life and economic competitiveness of our state; help keep well educated young people in Nebraska. The provisions of LB958 that limit the budget growth of community colleges would severely impact the discussions that have been ongoing with Wahoo and SCC to bring a learning center to our community. This infringement on local boards' decisions, based on understanding the needs of their constituents, interrupts the combined efforts of local and regional authorities to operate as intended. Our discussions have now...how to expand the learning opportunities to all citizens of Saunders County as well as enhancing opportunities we already provide in SENCAP and dual credit courses. I can't talk a lot about the SCC details. On the backside of my handout, however, I have finance patterns over the last five years for Wahoo Public Schools. I know that spending is an issue. I mean, it's being brought up. And I know the Governor has asked all agencies to limit spending to 3.5 percent of growth. The Wahoo record over the last five years, 3 percent. And I know all the things that we do to try to meet the need that are in front of us for our students. Spending is always going to be an issue and we're always going to be there saying, you know what? We can't meet those needs if we don't spend a certain amount. Culture has been shaped by locally elected citizens. And one of my main points might be, we understand boards that are elected locally understand our needs. And I guess with that, I'll be open for questions. [LB958]

SENATOR GLOOR: Thank you, Mr. Boldt. Does not your school operate under the same sort of approach towards unused restricted funds, similar calculation? [LB958]

GALEN BOLDT: Pretty much. [LB958]

SENATOR GLOOR: How has that worked for you? Apparently, pretty well. [LB958]

GALEN BOLDT: It has. I can't speak for all schools, but I'm speaking for Wahoo. It has. [LB958]

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SENATOR GLOOR: Why do you think this would be more problematic for the community colleges than it has been for the schools or K-12? [LB958]

GALEN BOLDT: Well, I will tell you that I can't speak to community colleges, how they plan their outreach. But I can tell you that Wahoo and Saunders County was, I'm sorry to say, ten years ago, neglected by Southeast Community College. We were on the northern region, of course, with the emphasis in Milford, Beatrice, and Lincoln. We just felt like there was no connection. Over the last five years that has greatly improved. I don't know what that...the spending that's needed to get access to that budget authority is. But you don't know how excited we were when we found out that there was an opportunity that those experiences could come closer to Wahoo. We've got kids that graduated with as many as 35 credits, but that's only like half of our kids. Making the junior year and senior year more vital to connect our kids to education and opportunities in the work force. That's become a real driving force. And I know with the initiatives of P-16, that's a very important part of what we see as what the future is. [LB958]

SENATOR GLOOR: Thank you. Seeing no further questions, thank you for your time here today. Continuing with opposition. [LB958]

BRUCE BOHRER: Yes and good afternoon again, Mr. Chairman and members of the Revenue Committee. Bruce Bohrer appearing on behalf of the Lincoln Chamber of Commerce, the Greater Omaha Chamber of Commerce, and the Nebraska Chamber of Commerce and Industry. As I referenced earlier, we did submit a letter in opposition and it included our comments on the community college portion of AM2717. I'll try to be brief and just reference Mr. Volk's earlier point about work force training and local control. And really, in essence, the fact that we see this as a provision that will have...the community colleges have different circumstances. Every region in the state has different circumstances. And this will have disparate impacts on the ones that you heard previously from, Southeast Community College, Metro. We view Southeast Community as a very strong partner. I know that Omaha Chamber and the State Chamber also view community colleges as a very strong partner. So we're concerned about the impact that this will have on the ones that you heard from today, specifically, in the near term and others as well in the long term. I do think there's a lot to discuss. And earlier the comments about the funding formula and different ideas there, I am not that familiar with that. Certainly, that may be some opportunity into the future. I do want to comment, too, quickly, I think Senator Brasch had mentioned or asked about support for maybe tuition. We have a Greater Lincoln Chamber Foundation that has over the past two years put \$50,000--so a total of \$100,000--towards equipment and tuition assistance for students. And then our Partnership for Economic Development has added another \$100,000. So a total from us of \$200,000 and that's for the Career Academy, the partnership between our Southeast Community College and our Lincoln Public Schools. [LB958]

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SENATOR GLOOR: Any questions? Seeing none, thank you again, Bruce. [LB958]

BRUCE BOHRER: All right, thank you. [LB958]

SENATOR GLOOR: Continuing with opposition. Anyone in a neutral capacity? Mr. Todd. [LB958]

LOY TODD: Senator Gloor and members of the committee, my name is Loy Todd, that's L-o-y T-o-d-d, I'm the president of the Nebraska New Car and Truck Dealers Association, here in a neutral capacity regarding this legislation to the extent anybody is really ever neutral. We are heavily involved in the community college world. Our training of our work force comes from the community colleges, primarily the technicians that we need statewide come from there. And we just thought we should bring up a couple of points that we hope the committee will consider in determining what to do in this legislation. And part of that is that these students tend to stay where they come from and where they're educated. We are a statewide organization and in the rural parts of the state my dealers have an incredibly difficult time finding help. And we try to help that. We have a charitable foundation that provides scholarships for the students in anything automotive with the community colleges. We also buy the tools for the needy students under some other scholarship programs. Our dealers support that. And ironically, our primary source of income for our charitable foundation is a farm that we own out in Hazard, Nebraska. And so we would like the committee to consider the fact that, to the extent it is necessary for these colleges to expand and to work on a local basis and to try to build funds to take other opportunities and serve the needs of the particular community, I would think it's very important that that not be hampered because I get calls from dealers desperate to find a technician. And one of the things we suggest to them is to try to hire these local students to encourage them and help them with their school. I was at a hearing not too long ago or a meeting where we learned that one of the challenges for some of the communities is that when they send their students to Lincoln or Omaha to be educated, they tend to not want to come back. But if they're at Milford or other places, they can...they have a better chance, so. I just wanted to put that in for your consideration. [LB958]

SENATOR GLOOR: Thank you. Any questions for Mr. Todd? Senator Schumacher. [LB958]

SENATOR SCHUMACHER: One of the tummy aches we've been hearing about is that, well, the community colleges provide some training that used to be provided for by the businesses themselves and that training is commercial in nature. And the taxing mechanism that we're using to finance that training--which is, in fact, a subsidy now the government has taken over some of the responsibility for it--is all being thrown at the agricultural sector rather than the commercial sector. How do we get around that? [LB958]

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LOY TODD: Well, Senator, our businesses are pretty heavy taxpayers, property taxpayers. We are a very property intensive business and with the parking lots and the buildings and all of the other things that we have to own. So we feel like we're a pretty good contributor to that expense. But we certainly have observed the increases in property taxes. It's certainly something that we all have experienced. And, you know, I think our system could be better in some ways. And we certainly understand the concerns that the agriculture communities have had and are expressing, which is, in part, why we're here neutral. If we knew a better answer, we would have been on one side or the other, but we just...the concerns I've expressed are the ones I was sent here with. [LB958]

SENATOR SCHUMACHER: Thank you. [LB958]

SENATOR GLOOR: Senator Brasch. [LB958]

SENATOR BRASCH: Thank you, Mr. Loy (sic: Todd). And I just...I need to ask this. I wasn't going to, but you caught my ear when you said, we own a farm. Is it you or the association? [LB958]

LOY TODD: No, no. One of our very, very generous dealers in his estate planning gave our charitable foundation a farm. [LB958]

SENATOR BRASCH: Oh, okay. It wasn't a farm for a fleet trade or something, trade-in or... [LB958]

LOY TODD: No, no, no. And it's just odd to have something like that so... [LB958]

SENATOR BRASCH: Okay. It was. That's why I...thank you for putting that on the record... [LB958]

LOY TODD: Several years ago the foundation was given the farm. [LB958]

SENATOR BRASCH: ...and for your generosity of the foundation to help, so...and testimony. Thank you. [LB958]

SENATOR GLOOR: Any final questions? Seeing none, thank you. [LB958]

LOY TODD: Thank you. [LB958]

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SENATOR GLOOR: Anyone else in a neutral capacity? Seeing none--I've already waived closing, some time ago--that will end this hearing. We thank you all for being here and we would ask you, if you would, please, to clear the room so that we can continue meeting as a committee. Thank you. [LB958]