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Revenue Committee  
January 25, 2018

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[LB829 LB899]

The Committee on Revenue met at 1:30 p.m. on Thursday, January 25, 2018, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB899, and LB829. Senators present: Jim Smith, Chairperson; Curt Friesen, Vice Chairperson; Lydia Brasch; Mike Groene; Burke Harr; Brett Lindstrom; and Paul Schumacher. Senators absent: Tyson Larson.

SENATOR SMITH: Welcome to the Revenue Committee. I'm going to stand and give my announcements so that you can make certain and hear me. I know we don't have amplification of voices in here very well, so can everyone hear me okay? I just want to go over a few housekeeping items. Again, thank you all for being here. Welcome to the Revenue Committee public hearing. My name is Jim Smith, and I represent the 14th Legislative District in Sarpy County. I'm the Chair of the committee, and the committee is going to take up the bills as was posted on the outside of the room. We only have two bills today. The first bill, I've spoken with Senator Erdman, I understand to be a very short bill and that's...at least that's what we believe and we hope to be able to move through that bill fairly quick, and then move on to the second bill which is LB829 and I know the majority of you are here to testify on that bill. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the legislation that's in front of the committee today. To best facilitate the hearing and the proceedings, I ask you to follow these procedures. First of all, if you would turn off or turn to silent any electronic devices that you have so as not to interfere or interrupt with the person testifying. We're doing this a little bit differently today because of the large number of people that are wanting to testify. The front rows, aside from Senator Erdman and his staff, the front rows are reserved for the folks that are on deck to testify. So facing me...to your right, facing me are the proponents of the bill, we have five chairs with reserve sign on them, and we're going to ask those five to go first in the testimony on the bills, and then we will go to the opponent and we're going to have five come up after that. We're going to go back and forth to exhaust the...those that are willing to testify today. Those that come up and do occupy the front rows to testify, once you testify if you would move back to the back so the next group could move up and occupy those seats, and that will just help us keep it moving pretty well and, hopefully, not keep you here until midnight tonight. I know we have an overflow room but we still have vacant seats

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in here. So my understanding is, we're not going to open up that room until we don't have any seats here. So, again, if you could help the move and possibly advancing that process so that we can make certain to get everyone up to the table and to testify that want to. The order of testimony in this particular case is going to be the introducer of the bill, Senator Erdman. We're going to alternate five proponents, five opponents, and we're going to go back and forth. We will then pick up neutral testimony. People that testify in a neutral capacity typically are those that may have some expert opinion and they can't take a position on it and we will save those until later in the hearing. And then we have letters for the record that we will read in later in the process, but we want to make certain though is for all of you who have come here today, and some of you have traveled a long distance, we want to make sure we give you plenty of time to get up here and then get your testimony in and not have you compete with me reading letters into the record. If you testify, please complete the green form and hand that to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, hand those to the page, one of the pages over here, and they will help get that distributed. We will need 11 copies of anything that gets distributed. If for some reason you don't have enough copies, just let us know right away and the pages will help get those copies made before you come up to testify. We are going to...once we get to the second bill, we're going to use the light system and we're going to limit testimony to three minutes to be able to get all the testimony in. What that means is that the green light will be on for two minutes, and then it will turn to an amber color for that third minute. At that time if you try to wrap up your testimony, we'd appreciate it. And then after the third minute, the red light will come on and at that point if you haven't concluded, if you go ahead and wrap it up, we'd appreciate it so we can get the next person up to testify. If your remarks were reflected in a previous testimony, or if you would like your position to be known but do not wish to testify, we offer that you sign the white form that's in the back of the room as it will be included in the official record of the committee hearing. The microphone that's on the testifier's table is really not for amplification of your voice so you will need to speak loud enough for the folks behind you to be able to hear you. It's really intended to capture your testimony so we can get it transcribed into the record. That's why when you come up to the table we'll ask you to please state and spell your name for the record so we can get it accurately into the record. And with that, I'm going to introduce staff and committee members up here. To my immediate right is legal counsel, Mary Jane Egr Edson, and to my immediate left is research analyst, Kay Bergquist. And to my left at the end of the table is committee clerk, Krissa

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Delka. Of the committee members with us today, will introduce themselves. I know Senator Burke Harr is...he called me a few moments ago. He's on his way back. He'll be with us shortly, and then next to Senator Harr.

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

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

SENATOR FRIESEN: Curt Friesen, District 34, Hamilton, Merrick, Nance, and part of Hall County.

SENATOR LINDSTROM: Brett Lindstrom, District 18, northwest Omaha.

SENATOR GROENE: Mike Groene, Lincoln County, District 42.

SENATOR SMITH: And Senator Tyson Larson will be at the end of the table and he'll join us shortly. We have two pages with us today to help you and help us. We have Heather Bentley from Miller, Nebraska. Heather is a junior at UNL majoring in agricultural economics. And then we also have with us today Cadet Fowler. Cadet is a student at UNL and his area of study is film studies and he is from Lincoln, Nebraska. So we appreciate both of them being here and helping us today. Then the one last thing. The senators that are around the table do obligations in some of the other committees so we may come and go during the proceedings. Please do not take offense at that. They have to go and they have to introduce bills in other committees and then they return. So, we are prepared to go as long as necessary tonight. I will tell you this, that we must conclude at 11:59, and that's the only hard, fast rule that we have. We will conclude by 11:59. Depending on how things are going, sometime between 5:30 and 6:00, we will stand at ease at the committee, so that the committee can go for about 15 minutes and get a bite to eat and then come back and that way we're not up here eating in front of all of you. So, with that, we invite...we're going to invite Senator Erdman to open on LB899. [LB899]

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SENATOR ERDMAN: Thank you, Senator Smith. I appreciate that. I come before this prestigious Revenue Committee again and I appreciate being here. [LB899]

SENATOR SMITH: Do we need to hook you up to the polygraph? (Laughter) [LB899]

SENATOR ERDMAN: Nope, nope. Steve Erdman, S-t-e-v-e E-r-d-m-a-n, and I represent District 47 in the Nebraska Legislature. The good news about LB899, it has no A bill. Isn't that good? Okay. LB899 is a bill that I introduced to relieve property taxpayers from paying property tax on buildings and facilities that have been destroyed by fire, tornado, or some disaster. As a county commissioner...when I was county commissioner, on several instances we had people come before the Board of Equalization and ask for relief on their property tax. Some of those issues were such as on January 2nd a ladies house burned down but she had to pay taxes for the whole year because it was on January 1st. And so this bill, what it does, it prorates taxes until the day of destruction of the facility that you have, and then when you're facility is rebuilt, the taxes will begin to be applied again. So it's a straightforward bill. It's a commonsense approach. I didn't spend a lot of time defining in the bill how it shall be recorded at the courthouse or how the assessor shall assess the property. I believe that's up to the Property Assessment Division to do that, and so the bill is very straightforward, very common sense. It relieves that obligation for those to pay property tax once their facility has been torn down. Last summer, in my area, we had several tornadoes go through and some of my neighbors lost all of their buildings and their house and they continued to pay property tax for the rest of the year even though those facilities were gone. Several years ago, north of the dam in Lake McConaughy, they had a wild fire come through there and burn down eight or nine houses. The crazy part of that, in late April those people that had their houses destroyed received a notice from the county assessor that their valuation went up. Didn't make any sense. Their house burned down in March and their evaluation went up in April. So this is a commonsense bill. It comes into play because of the fact we need to allow the Board of Equalization to make those decisions that are appropriate for the time in which they operate and those Board of Equalization can make those decisions. So that's what the bill does. As I said, we didn't write in those statutes...in the statute what they should do and how they should collect that information. Ruth Sorensen and her people can figure out how to do that. The assessors are all capable of understanding when the property is destroyed and when it is rebuilt. And so that's the bill, quick and forward, and hope you'd advance it to the floor

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so that we can have some common-sense legislation passed for those who were in dire need of help. Any questions? [LB899]

SENATOR SMITH: Thank you, Senator Erdman, for your opening on LB899. Questions from the committee? I see no questions. That was easy. [LB899]

SENATOR ERDMAN: That was easy, so I was right. [LB899]

SENATOR SMITH: All right. [LB899]

SENATOR ERDMAN: Thank you. [LB899]

SENATOR SMITH: So now we move to proponents, those wishing to testify in support of LB899. Show of hands. How many are going to testify on this bill? All right, very good. Okay, there were a number of hands going up. Put your hands up again. Okay. Quite a few. All right. Ms. Delka, we'll use the lights on this one too. Welcome. [LB899]

TERRY JESSEN: Good afternoon. My name is Terry Jessen, T-e-r-r-y J-e-s-s-e-n. Just a very common-sense bill. I drove through many times last year the area near Mr. Erdman's home. I knew a number of his neighbors. That tornado event was really dramatic. The one that kind of impressed me was the center pivots sitting across the highway, but there was lots of destruction there. I don't even remember the number of pivots, but 50, 60, 70 pivots got destroyed. Just seems like this is an opportunity to provide a mechanism to very slightly be considerate of those people whose property might be destroyed. That's really all I have. [LB899]

SENATOR SMITH: Thank you, Mr. Jessen. [LB899]

TERRY JESSEN: Thank you. [LB899]

SENATOR SMITH: Questions from the committee? Oh, Senator Brasch, has a question for you. [LB899]

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SENATOR BRASCH: Thank you. Just a brief question. In District 16, we did have flooding along the Missouri, we had tornadoes in the Wisner, and when I called the tax...property tax administrator and talked to others, their response, asking the same thing that you're asking today is, well, the school has already budgeted for this. And the county budgeted for this, and the money spent basically, and the year forward ahead, their taxes will level out because we always tax a year behind and so, they will eventually...it averages out. Is that true or not true or what your thoughts on that? [LB899]

TERRY JESSEN: I would have two thoughts on that. My first thought is typically the event that caused the disaster is not widespread within that district or that county. Secondly, every school budget or city budget or other budget I've looked at has tremendous dollars in reserve. I don't agree with that suggestion that they can't live with that. [LB899]

SENATOR BRASCH: Very good. I just wanted it on record... [LB899]

TERRY JESSEN: Sure. [LB899]

SENATOR BRASCH: ...because I have pleaded this myself. [LB899]

TERRY JESSEN: Yep. Thank you for the question. [LB899]

SENATOR BRASCH: I have no other questions. Thank you. [LB899]

SENATOR SMITH: I see no additional questions. Thank you for your testimony. [LB899]

TERRY JESSEN: Thank you. [LB899]

SENATOR SMITH: Next proponent of LB899. [LB899]

RON SEDLACEK: Mr. Chairman and members of the Revenue Committee, for the record, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k. I'm testifying on behalf of the Nebraska Chamber of Commerce and Industry. We reviewed the bill. We believe it's a fair and equitable proposal.

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Have nothing really new to add other...that has not been previously testified to. Just wanted to convey our support. [LB899]

SENATOR SMITH: Thank you, Mr. Sedlacek. I see no questions from the committee. [LB899]

RON SEDLACEK: Thank you. [LB899]

SENATOR SMITH: Welcome. [LB899]

KATHY SIEFKEN: Chairman Smith and members of the committee, my name is Kathy Siefken, K-a-t-h-y S-i-e-f-k-e-n, here representing the Nebraska Grocery Industry Association in support of LB899. We support the bill simply because there have been grocery stores across the state of Nebraska that have been damaged by tornadoes, floods, fires, and when they burn down, especially if it's a small independent, continuing to have to pay property taxes is...it's a hurdle to opening those stores up again. So we would support this bill. If you have an questions, I'd be happy to answer. [LB899]

SENATOR SMITH: Very good. [LB899]

KATHY SIEFKEN: Thank you. [LB899]

SENATOR SMITH: I see no questions. Thank you, Ms. Siefken. Next proponent, persons wanting to testify in support of LB899. Welcome, Ms. Rex. [LB899]

LYNN REX: Senator Smith, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here a little bit conflicted. We strongly support the concept of this. We tried to do the very same thing, as Senator Schumacher may remember, when Hallam was destroyed and at that time we could not come up with a constitutional way of doing it because of the inability to forgive taxes. So we think it's a great concept. We hope the committee explores how to do it and how to do it in a constitutional fashion. We support that. I just don't know if you can overcome the constitutional questions. We

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couldn't, but we wish you the very best in trying to do that. We're happy to work with you and committee counsel to do that. [LB899]

SENATOR SMITH: Thank you, Ms. Rex. Senator Groene. [LB899]

SENATOR GROENE: How do you read this bill? I assume we're always a year behind, you're going to pay...if you have a tornado in January and the taxes are due in April and May, you're going to pay those taxes. [LB899]

LYNN REX: Right. [LB899]

SENATOR GROENE: You will get the benefit the following year. [LB899]

LYNN REX: Right. [LB899]

SENATOR GROENE: How can you put a...I don't see how that's unconstitutional if it has no value because it's burnt to the ground. The assessor comes out and says only have the value of the lot, and the day it's rebuilt, she goes back out and assesses it again. How is that not constitutional? [LB899]

LYNN REX: I agree with you. I'm just telling you what we were told. [LB899]

SENATOR GROENE: Were you trying to do it in arrears? [LB899]

LYNN REX: Pardon me, no, we were trying to do it... [LB899]

SENATOR GROENE: I can see if it was still in arrears... [LB899]

LYNN REX: No, we were trying to do it prospectively. Actually very similar to this, so we would strongly...we strongly support. [LB899]

SENATOR GROENE: Thank you. [LB899]



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LYNN REX: Thank you. [LB899]

SENATOR SMITH: Thank you, Ms. Rex. No further questions. Next proponent, testifying in support of LB899. Welcome. [LB899]

JEFF METZ: Good afternoon. My name is Jeff Metz, J-e-f-f M-e-t-z. I am a county commissioner from Morrill County. I, a hundred percent, support the bill. When you are at the Board of Equalization and you have folks that come in begging for exemption and the statutes say that you can't be helpful with their property tax, this is crazy that we cannot...that we still collect property tax on a structure that is no longer there or that is so damaged that, you know, it's actually costing them money to be there. I mean, they got to tear it out and they still owe taxes on it? So anyway, that's my story. I've seen a lot of this. We've got a lot of damage that we had to rebuild from, and just like every other county that has it, disaster comes through, but the state needs to fix this. Thank you. [LB899]

SENATOR SMITH: Thank you, Mr. Metz, for your testimony. Questions from the committee for Mr. Metz? I see none, thank you. Next supporter of LB899. Welcome. [LB899]

ROBERT JOHNSTON: Thank you. Chairman Smith, committee, I am Robert, R-o-b-e-r-t, Johnston, J-o-h-n-s-t-o-n. I am a farmer from Clearwater. I'm here today as a member of the Nebraska Agricultural Leaders Working Group to testify on behalf of the ag leaders in support of LB829. The Agricultural Leaders is comprised of several agricultural organizations, including the Cattlemen, the Corn Growers, the Farm Bureau, Pork Producers, Soybean Association and Dairy Association. I want to share a group's general thoughts on property taxes and... [LB899]

SENATOR SMITH: We're on LB899, right now. [LB899]

ROBERT JOHNSTON: Oh, excuse me. I apologize. Do you want me to start over? I'd better start over. [LB899]

SENATOR SMITH: Yeah, hold that one for LB829. We're going to finish up on support of LB899. I'm sorry about that, that confusion. Anyone in support of LB899? Welcome. [LB899]

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MICHAEL SMITH: Thank you. My name is Michael Smith, M-i-c-h-a-e-l S-m-i-t-h. I am for this bill. I live in Morrill County. I serve on the board with Jeff. The ranch that I work on was damaged heavily during a tornado that we had this last summer. My boss's house had a huge 20-foot hole in it, his mom's house. My house, the poorest one out of them all, somehow was not damaged but we lost two buildings. One had just been built the year before, and we also had substantial damage to another outbuilding, as well as the equipment that were inside of those buildings. I'm here to speak on behalf, and I'll speak again later on the next bill, somebody that doesn't own personally the property but I make my living and support my family off of working on somebody who does own that property. And the more money that he has to pay out or loses when things like this happen is putting my job and my family at risk. If I did own property, which I do own property, but on this scale I think that I would be for this bill then as well, because to me it's just a common sense. If something happens to your car and your car breaks down and you don't use your car for a while, and you don't have the money to fix it, you might take your car off insurance, quit paying the insurance on it to save that money for that time. I don't really see why you would have to put the burden of having to pay that income tax on the building that you can't use, and the other part is that it's almost injury to insult by the time you have to build a new building and argue with the assessors on how much they're going to give you for that. And then on top of that, it's going to be considered an improvement the following year and your value is going to go up that you have to pay on that property tax. So, I strongly support this bill. Thank you. [LB899]

SENATOR SMITH: Thank you, Mr. Smith, for your testimony today. Any questions from the committee? I see none. [LB899]

MICHAEL SMITH: Thank you. [LB899]

SENATOR SMITH: Thank you for coming today. Proponent of LB899, LB899. Welcome. [LB899]

JOHN HANSEN: Mr. Chairman, members of the committee, good afternoon. 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 also our lobbyist. This has been an issue that we have talked about. We've supported

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previous efforts to deal with this. It seems like a commonsense thing to do, but certainly the taxes levied and collected ought to reflect the actual value and use of the properties. And so, even though you may have insurance, a lot of liability insurance, property insurance, would not necessarily fully replace the property depending on the kind of coverage you had. So, and in a lot of cases, especially with center pivots, you're also losing the value of that irrigation tool, and so there are a lot of risks incurred. During my run, I've seen thousands of...in one season, thousands of center pivots destroyed, thanks to heavy winds and big storms that ran southwest and northeast across the state. So it gets to be a pretty substantial issue for the people, their impact. So we thank Senator Erdman for bringing the bill. In my case, and in my farming operation, I've lost three separate grain bins down through the years to tornadoes. I've tried to sell the insurance company my old barn, but, of course, it wouldn't hit the barn. And so, the whole business of risk management, this is a small thing, but it's a meaningful thing and I salute the county commissioners and the folks at the local level who try to address this when a situation arises. So thank you. [LB899]

SENATOR SMITH: Thank you, Mr. Hansen. Senator Groene. [LB899]

SENATOR GROENE: Do you know...thank you, Mr. Chairman. Do you know if you lose a pivot and the insurance replaces it, does this start at another seven years' cycle of depreciation, or does it pick up where the old one left off? I think it's seven years you pay on a pivot, isn't it, or ten? [LB899]

JOHN HANSEN: I think it's seven, and I'm not sure whether...I'm not really sure exactly how that works. I think if you repair it, you live with the start, but I'm not certain, and if you have to actually replace it, then I think you start over with new. [LB899]

SENATOR GROENE: Thank you. [LB899]

SENATOR SMITH: Thank you for your testimony. [LB899]

JOHN HANSEN: Thank you. [LB899]

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SENATOR SMITH: Next proponent person wanting to testify in support of LB899. Seeing no additional proponents, anyone wishing to testify in opposition, opposition to LB899? Welcome. [LB899]

BETH BAZYN FERRELL: Good afternoon, Chairman Smith and members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm testifying in opposition to the bill, not in opposition to the concept, but rather to the procedures in the bill. If the committee would like to move forward with this, we would suggest maybe taking a look at LB1089 which really sets out the same concept but it provides more procedures for the assessors and the County Board of Equalization to follow. With that, I'd be happy to take questions. [LB899]

SENATOR SMITH: All right. Thank you. Senator Schumacher. [LB899]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony. Following up on the testimony of the League of Municipalities, when on January 1st taxes are levied for the following year, is that correct? [LB899]

BETH BAZYN FERRELL: Yes. [LB899]

SENATOR SCHUMACHER: And so that's a debt that's owed, taxes owed for the following year. Right. And then they become delinquent in the subsequent May, half, and September, half. Is that correct? [LB899]

BETH BAZYN FERRELL: Yes. [LB899]

SENATOR SCHUMACHER: So as you read this particular bill, would the adjustment be made after they were levied, or on the following year, because the following year they'd be at the reduced ruined value. [LB899]

BETH BAZYN FERRELL: Right. You know that's a good question. We didn't really look at which year it would apply to. We were really looking at sort of the procedural aspects of how the

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assessor would implement it, but I think that's a good question. It's something we'd probably need to dig into a little further. [LB899]

SENATOR SCHUMACHER: Because we can't go back and unlevy a tax. [LB899]

BETH BAZYN FERRELL: Correct. [LB899]

SENATOR SCHUMACHER: Okay. And then if we have to wait until the next year, well, then we know it's already been destroyed and it's going to be levied lower. [LB899]

BETH BAZYN FERRELL: Right. [LB899]

SENATOR SCHUMACHER: So from your experience is there something to what the...the issue the League raised legally? [LB899]

BETH BAZYN FERRELL: Well, there is a constitutional prohibition against commutation of taxes, and, I mean, the way you describe it, it sounds like it might fall into that category. [LB899]

SENATOR SCHUMACHER: Thank you. [LB899]

SENATOR SMITH: Other questions from the committee? I see no additional questions. Thank you for your testimony. Anyone else wishing to testify in opposition to LB899? Seeing none, anyone wishing to testify...is this opposition or neutral? Okay. We're now taking neutral testimony, persons wanting to testify in a neutral capacity on LB899. Welcome. [LB899]

MICHAEL GOODWILLIE: Thank you. I'm sorry for jumping the gun. Senator Smith, members of the committee, my name is Michael, M-i-c-h-a-e-l, Goodwillie, G-o-o-d-w-i-l-l-i-e. I work for the Douglas County Assessor's Office and I am testifying in a neutral capacity about LB899. We are not all opposed to the concept. If you work in an assessment office, it is a hard thing to say to people whose property has been destroyed after the January 1 assessment date, we can't do anything for you until the next year because by law the assessment date is January 1. Property is assessed as it exists at that time and that assessment remains until January 1 of the following

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year. And that's a hard thing to say. I think the last time the Legislature took a whack at this question was after the Hallam tornado in 2004. I don't remember the discussion about the commutation of taxes, but there were some other items that I'd kind of like to bring to your attention as you start to contemplate whether this bill, or the other bill, LB1089, is the direction in which you want to go. First, you always have to have an assessment day. I mean, there always have to be a fixed point at which, you know, here's where you say the property is worth. And there's always going to be stuff whether you put it in January or April or March or some other month, there's always going to be stuff that happens on the wrong side of that date. Similarly with LB899, it looks like it would cover property that is destroyed between January 1 and October 1. Well, I'm here to tell you, it won't take long before somebody comes out of the woodwork and says, my property burned down October 3. So, understand, none of these...neither of these bills is going to be a panacea. It might make some things better, it's not going to be a panacea. The other issue that came up in that discussion is, depending on how late in the year the property is destroyed and how far that citizen gets on rebuilding, I don't want to say gets made up entirely in the next year, but what you can have happen is, the property gets destroyed in the spring or summer, come January 1 of the next year, it's just a vacant lot and that's how it's assessed. And then it gets rebuilt sometime in the following spring or summer, well, now that's been kind of a windfall for that property owner because now for the bulk of the year they've had a property that's worth a heck of a lot more than what they were assessed at at the start. So you're always going to have to grapple with that. There's also some discussion of, well, what level of disaster and from what cause. This bill talks about destroyed. I don't mean to be pedantic. I know what I think of when I hear destroyed. I think smoldering rubble someplace. I'm not sure everybody will view it the same way. It might help to clarify that somewhat. Some of the folks testifying earlier said, well, it was damaged. Well, to me damaged isn't always the same as destroyed, and so there may need to be some discussion of what level of damage will qualify for relief. I see my red light is on. I want to touch on a couple of administrative things. One was the concept of proration. We really don't prorate anything else. If I had my druthers...we can make this work, but if I had my druthers, I think, pick a date maybe closer to the middle of the year than the end of the year because there's kind of an equitable component. If your property is destroyed very late in the year, you've had the benefit of it for the bulk of the year. The earlier it gets destroyed, I think the equity is more in favor of providing some relief. I could go on, but

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you've got a roomful of people that want to talk to you and if you have any questions, I'll be happy to answer them. [LB899]

SENATOR SMITH: Questions from the committee? And my apologies, we just need to... [LB899]

MICHAEL GOODWILLIE: No, no, I understand, it's a full crowd you have today. [LB899]

SENATOR SMITH: All right. I see no questions from the committee. Thank you for being here and testifying in a neutral capacity on LB899. [LB899]

MICHAEL GOODWILLIE: Thank you. [LB899]

SENATOR SMITH: Senator Erdman, would you like to close on LB899? [LB899]

SENATOR ERDMAN: I would. Thank you very much. The situation has arisen several times in my...as county commissioner service. On January 1, 12:01 a.m. is when the assessment of the property is done. And if it's there at that time, then you pay for the full year. The county sets the levy on their taxes and their valuation in September of the previous year and so if you're property is destroyed in '18, the taxes you're going to pay in May and September was on the property for '17. And so, if your property is destroyed, when you get to the end of that year and your county assessor puts a valuation on the county value it will take into consideration the property that was destroyed. And so, I don't think it's a huge situation. It's not a situation where someone has paid their taxes and they have to reimburse them, they just won't pay because of the proration until the day of destruction. So I appreciate those who came today to testify in favor, and I understand NACO's position, and I'm not surprised by the other testimony, but every bill that I see most of the time needs some adjustment as we go forward and I would hope that we could make adjustments on this and make it work. Thank you. [LB899]

SENATOR SMITH: Very good. Thank you, Senator Erdman, for your closing on LB899. And with that, we're going to move on to LB829 and for those that may have come into the room since my introductions, I wanted to just again remind everyone if you're in the backroom facing

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me to the left, we have five seats with reserved signs on them for opponents to LB829. I would encourage anyone who is willing to testify in the first round to be in those seats so we can move forward, and then likewise over on the other side of the room, we have five seats with reserved signs for proponents to LB829 and they're going to be the first ones up following Senator Erdman's introduction. So with that, if you would help me with that so we can kind of move people forward, if you want to fill up these front rows, I'd appreciate it. Senator Erdman, welcome to open on LB829. [LB899 LB829]

SENATOR ERDMAN: (Exhibits 1-3) Thank you, Senator Smith. It's great to be back. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I serve in the Nebraska Legislature representing District 47. LB899, I come before you to introduce that bill. Let me start with a bit of history. I might be able to prevent some questions. Most of the time people ask where this bill come from, how did you get here, where did the idea come from? Last year on May 23, the last day of the Legislature, I had a press conference in the Rotunda, invited anyone who was interested in property tax relief, please join me for an announcement. And that announcement was that the following year I'm going to introduce a resolution to reduce property tax. That was one of the things that I campaigned on. That was a promise that I made to those people that voted for me and I'm keeping that promise. So to my surprise, several urban people stepped up and said how might we help you? Our property tax is too high as well. So over the summer we have probably 10, 12 meetings. Some of the senators in this room were at those meetings, planning sessions. And we had decided that it needed to be significant. And so LB829 is that. And so as we started the meetings I told the people in the room that whatever the decision was of the group, that would be the resolution that I would introduce and, therefore, today we have LB829 because of that group and their wishes to do that. So that group has also formed another group that is going to do a petition drive that, if this does not get out the Legislature, they will have an issue to put on the ballot for November of '18; that is their goal. And it is very similar to LB829. So those are the remarks that I need to make in opening. I have a few prepared statements. As some of you may know, I don't work well from prepared statements but I'm going to try to use a script and we'll see how that goes. But I have some things I need to say. I have some handouts I'd like you to see. But I believe my goal today is to bring the awareness that property tax is a huge issue in the state of Nebraska and we have been talking about property tax relief for 40 years. And I told someone today, things go in 40-year cycles here in this body. Senator Chambers tried to repeal



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the death penalty for 40 years and he finally accomplished it. So this is 40 years for property tax relief, so I'm looking forward to accomplishing it this year. So here we go. So Nebraska has higher property tax than the states of California, New York, and Massachusetts. It's time to give the taxpayers some tax relief, property tax relief. This proposal puts money back in the pockets of the Nebraska people who can spend it smarter and better than lawmakers. This proposal will stop the Legislature passing the burden on local property taxpayers and they'll have to learn to live within the budget like families do. Passing this proposal would take Nebraska from paying the 5th highest property tax in the nation to the 25th highest average. This type of property tax reform is badly needed as taxes in Nebraska are rising faster than incomes, which makes it harder and harder for people to make ends meet. Once again, Nebraska in all 93 counties with diverse personal and professional backgrounds are coming together to urge the Nebraska Legislature to act on property tax reform. Since 2017, and the Legislative Session ended, we've been meeting and as I said, we've been meeting with elected officials and other stakeholders to develop this legislative package which I bring before you today. It is property tax relief. This systematically shifts away from the state's reliance on property tax to fund its own mandates. While there is an acknowledgment that Nebraska has a problem and it needs to be solved, there is a sense of urgency now. Some elected officials even admit that property tax are something you talk about on the campaign trail knowing full well nothing has to be done once you get elected. And I'm not one of those people. LB829 created a refundable income tax credit...will create a refundable income tax credit equal to 50 percent of the property tax you pay to the K-12 schools. Let it be clear I'm not taking 50 percent of the funding away from schools. The schools, the LUGs, the local units of government--the NRDs, the school, the county, the city will all collect their property tax as they always have before. So let's not get sidetracked in thinking we're going to take funding away from schools because that's not the goal. An overwhelming number of Nebraskans think quality education is vital and it's one of the few priorities outlined in our state's constitution, yet 178 of our state's 225 five school districts receive no equalization aid from the state. The state cares about education, but the state has neglected its responsibility to pay for it. A refundable income tax credit tied to the amount paid to the local school district puts property taxpayers and the state Legislature on the same side of the equation. If the Legislature fails to solve the problem of the state's overreliance on property taxes, the refundable income tax credit forces them into a darker situation. The state cannot continue cutting funding for education knowing property taxpayers will have to pick up the slack for funding. The courts have denied

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our property tax relief. The Legislature only dances around the issue and the Governor lacks the political will to solve this problem. If the Legislature and the Governor cannot muster the political muster to do this and what needs to be done in this session, reform for Nebraska's future has a ballot initiative nearly identical to LB829 that will allow the state's second house, those voters, the voters, to modernize and rebalance Nebraska's tax burden and structure. For decades, Nebraskans have watched their property tax rise much faster than their incomes, much faster in fact. From 2006 to 2016, statewide property tax have gone up 59 percent. During that same period of time family incomes has risen, for those making \$75,000 or less, has gone up only 9 percent. So you see it gets harder and harder for families to pay for the property tax. If the data would be found to add it back to 1990 up to 2017, it would even be more worse and more massive the shift that has happened to property tax. Those making less than \$30,000 per year, their growth has been negative. Their gross revenue has been negative. Their income has not increased. For too long Nebraskans have heard that the chronic refrain from the government officials: It's only a small percentage increase; you'll hardly notice a difference. Well, Nebraskans have noticed it and it's about time someone stood up for the families of this state against a massive increase in property taxes that's taxing us to death. I have several documents that you'll probably be seeing later but I have one I'd like a page to hand this out. This document shows the average homeowner...the average home value in the United States and the value that Nebraska people pay on those. That house is \$179,000 is the average value. Nebraska's property tax is \$3,308 on that home. And compared to our neighboring states and compared to other states, we are I think it's 45th on that. I didn't keep one of those for myself. But our property tax is out of line compared to our new neighbors. This document that I have here shows the amount of taxes collected for states, for all states. We are ranked number two in the nation in all taxes--property taxes, income tax, fees, and sales and excise tax in the nation. There's only one state that is higher taxes than Nebraska and that is Illinois. And we all know how well Illinois is doing. So we are fifth in property tax. We're second in all taxes. It's time for us to make an adjustment and give these people back some of the hard-earned money that they have earned. I've also went back and reviewed for the last ten years, the ten years that were of record, from 2006 to 2016, the increase in taxes collected, not the mill levy, not the value, but the dollars that had been collected in taxes, property tax, from the counties across state of Nebraska. The average is 59 percent. There is one county that wins all...beats all counties and I hate to say this, it's my county. The taxes in Morrill County has went up 138 percent in the last ten years. We

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have 5,040 people. Our taxes went up over a \$1 million a year and we have 5,000 people and the taxes went up \$1 million every year, almost 5,000 residents. And so I have every one of your counties broken down and I have...someone will probably hand you that document. One of the other things that I have, I have a graph I'd like to show you also. This graph depicts the fact of the income, slow rise of the income of the residents of the state of Nebraska. And clear on the far right, the top graph with the high blue mark, that is property tax. So take a look at those graphs. Those depict what has been happening in Nebraska. The revenue that they have been receiving, the income they're making does not nearly, nearly accomplish what they need to accomplish to pay their taxes. Yesterday morning when I was having breakfast a young man sat down beside me. He lives here in Lincoln. And he said we bought a house six years ago. He said when we bought the house our property tax, our insurance, and our escrow account, we could handle that. It was not a problem. He said my property tax has gone up enough now I can either take a second job or I need to sell the house. Those are the stories that I'm hearing. Property taxes are out of line and we have to make an adjustment and LB829 gives us an opportunity to do that. So I thank you for your time. I appreciate those people who are going to come behind me and testify. And I would sit for any questions if you have some. [LB829]

SENATOR SMITH: Thank you, Senator Erdman, for your opening on LB829. Do we have questions from the committee? Senator Groene. [LB829]

SENATOR GROENE: Just to clarify before the testifiers come forward, when you say for...50 percent of the property tax is paid to the schools, you are only talking general fund, right? [LB829]

SENATOR ERDMAN: That's correct. [LB829]

SENATOR GROENE: You're not talking bonded...the bill says it doesn't include bonded indebtedness or tax overrides like Westside. [LB829]

SENATOR ERDMAN: It excludes those, Senator. [LB829]

SENATOR GROENE: Because those are local control issues. [LB829]

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SENATOR ERDMAN: Yes, sir. [LB829]

SENATOR GROENE: Local voter issues. [LB829]

SENATOR ERDMAN: Yes, sir. [LB829]

SENATOR GROENE: And the part about state actually sets the property tax on the general fund through the TEEOSA formula and local taxpayers have very little input into that. Is that not true? [LB829]

SENATOR ERDMAN: That's correct. [LB829]

SENATOR GROENE: And that's why you're tying it to that because... [LB829]

SENATOR ERDMAN: That's why we excluded that. [LB829]

SENATOR GROENE: Because the state is forcing... [LB829]

SENATOR ERDMAN: Yes. [LB829]

SENATOR GROENE: ...forcing local taxpayers to fund the duty of the state to provide free instruction in our public schools. Thank you. [LB829]

SENATOR ERDMAN: We have...LB829 also includes personal property. So in your taxes if you pay personal property and you pay that just like you do will property, that will be a reduction in that as well. [LB829]

SENATOR GROENE: To the schools. Thank you. [LB829]

SENATOR SMITH: I see no further questions. Senator Harr. [LB829]

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SENATOR HARR: Thank you. Thank you for coming, Senator Erdman. I'm looking first of all at your handout... [LB829]

SENATOR ERDMAN: Yes, sir. [LB829]

SENATOR HARR: ...that you gave us. And it has--one, two, three, four, five--six columns. And the third one says effective real estate tax rate. And it has Nebraska as the 45th highest effective tax rate. Does that take into...effective means the amount paid, right? [LB829]

SENATOR ERDMAN: Um-hum, that's correct. [LB829]

SENATOR HARR: Does that number take into account into account the Property Tax Relief Fund? [LB829]

SENATOR ERDMAN: Yes. [LB829]

SENATOR HARR: And how do you know that? [LB829]

SENATOR ERDMAN: Because the information we collected was the tax dollars collected, the tax dollars collected. And the tax dollars collected by the county are after the Property Tax Relief Fund. [LB829]

SENATOR HARR: It says taxes on a \$179,000 home. So what happens is my tax may be, on a \$179,000 home, more or less \$2,000 in Nebraska. But then I get the Property Tax Relief Fund. So the amount I pay is actually less than that \$2,000 and I don't see...and this is the problem with some of these things is I have no idea how they came up with the numbers. But I'd be surprised if they took into effect our Property Tax Relief Fund. And if you can show me that they do, I'd more than happy to accept it. Then I see on column number five, it has the value in each state of a median home by state. And when I look at that, first of all, I see Nebraska's median home value is \$133,000 which I'd love to be able to build a house for \$133,000. It's almost impossible anymore. But when you look at how much, based on the median in each state, how much taxes each person pays, what I see is there are, by that time, looks like there are 15 states that pay more

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property taxes based on that median home. And I think a home is somewhat related to the median income. Do we have anything that shows a median income as well? [LB829]

SENATOR ERDMAN: I don't. I didn't make that chart. [LB829]

SENATOR HARR: All right. You state your language in this bill is almost identical to the constitutional amendment. What is... [LB829]

SENATOR ERDMAN: No, not a constitutional amendment. [LB829]

SENATOR HARR: I'm sorry. The petition. And what is that difference in language? [LB829]

SENATOR ERDMAN: It is very similar. It's... [LB829]

SENATOR HARR: It's similar but not the same, correct? [LB829]

SENATOR ERDMAN: Well, as far as I can tell, it's the same. It's the same language. [LB829]

SENATOR HARR: Okay. Have you had a chance to review the fiscal note on this? [LB829]

SENATOR ERDMAN: I have. [LB829]

SENATOR HARR: Okay. And do you have it in front of you. [LB829]

SENATOR ERDMAN: I do. [LB829]

SENATOR HARR: Okay. And looking at that fiscal note, let me just tell you I was initially very surprised by the numbers. It was much lower than I thought it would be. And this kind of feeds into your last bill, LB829, about why. Having read it, it is. And looking at it...and pardon me for saying only, but only, fiscal year 2018-19 this only cost \$263 million. The next year it jumps to \$636 million...\$637 million. And I had heard...I kept hearing, oh, this bill is going to cost \$1 billion, \$1.2 billion. But I couldn't figure out why this number was so low. So before I even read

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Page 2, I immediately called Doug Gibbs because when I read fiscal notes I like to get angry. And I said, Mr. Gibbs, what's going on here? I don't understand. These numbers seem so low. And his kind, very (inaudible) way he said, did you read the whole thing? And I said, no, no I didn't. But reading the whole thing I realized what happened is taxes are due but not payable. They're assessed, right, in December. And so the key language is, and it's missing, is the year the taxes, they are levied and due in the same year. And so we have our taxes levied in one year and due in the next. [LB829]

SENATOR ERDMAN: That's correct. [LB829]

SENATOR HARR: And so the result of that is people like me, people like I...people like I am...people like me...anyway, me, I have a mortgage so I don't pay my property taxes. My bank does. [LB829]

SENATOR ERDMAN: That's correct. Okay. I get it. [LB829]

SENATOR HARR: So there's an escrow account. And the way they work is they take out my monthly payment so my taxes are levied one year and they're paid and due the next year. And for Douglas County I think we pay differently than most... [LB829]

SENATOR ERDMAN: Your county is different. You're correct. [LB829]

SENATOR HARR: Yeah. We pay May and September. Well, we pay April 1 and August 1; other counties, May 1 and September 1. All this is a lead up to, who, because of the way this is done, who receives...and then on page 2 of the fiscal note it says, hey, if you had written it where they're levied and due in the same--they don't have to be in the same year--the fiscal note doubles, almost...well, yeah, almost doubles. Who are the people that would be affected the way your bill is drafted and who are the people that would be affected by the way if it had been levied and paid? Where is that difference? Who are those taxpayers? Is it me who has an escrow account versus an individual who owns a property, or who is it? Who are these people that make up that difference? [LB829]

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SENATOR ERDMAN: Okay. Well, if I understand your question and here's how that would work: If you pay your taxes in your escrow account, which you do, and so you've already paid those taxes and so when you file your income tax you're going to get a refund, a refund from the state from what you paid, 50 percent of what you paid to the school because you've already paid your taxes because you paid it through your escrow account, okay? So I don't know whether the timing of the year or not makes a difference because you're going to get a refund. That's going to state's obligation to make up 50 percent of the funds that went to the school. The goal in making it that way and it says in there, shall be received and paid, paid and received, and one reason why we like it that way is because we don't want people who buy tax certificates to sneak in and be able to get a refund. [LB829]

SENATOR HARR: Okay. So how do you account for that difference in the fiscal note between page 1 and page 2. Is at all just tax certificate people? [LB829]

SENATOR ERDMAN: No. Tax certificate people will be exempt from getting... [LB829]

SENATOR HARR: So what is the difference in the fiscal note between page 1 where if they're taxed and levied in the same year it's a certain amount and if we allow...if we'd have a disconnect where it's levied and the taxes paid are in two separate years the fiscal note is a lot more. [LB829]

SENATOR ERDMAN: The fiscal note, where do you see it's a lot more? [LB829]

SENATOR HARR: Page 2. [LB829]

SENATOR ERDMAN: Okay. [LB829]

SENATOR HARR: If you look...let's go to page 1. If you look at fiscal year '19-20 it's \$637 million. If you look at page 2 where they separate, it's \$800 million. Year three, under the way it's drafted would be \$652 million. Year three under this would be \$1.156 billion. If...and I'm reading the language, "The Department of Revenue has also estimated the fiscal impact of the



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LB829 if the bill eliminated the requirement that the property taxes be paid in the same year they are levied and, instead, granted the credit for property taxes paid." [LB829]

SENATOR ERDMAN: Okay. [LB829]

SENATOR HARR: So there seems to be a big difference as to the fiscal impact if we change a couple words. And my question is who are the people affected by that change? Is it me? Is it you? Or is it the man behind the tree? [LB829]

SENATOR ERDMAN: It's a timing issue, timing issue. I don't if anybody is affected by it. And so... [LB829]

SENATOR HARR: Well, somebody must be. There's a difference in the amount of money it costs the state. [LB829]

SENATOR ERDMAN: The issue that we have is that we have not funded schools like we should have, like we should according to the constitution. So this is an opportunity for the state to kick in and pay some of that, pay what they should have been paying. But on the fiscal note, you're exactly right. When I seen the fiscal note I thought it was substantially less. And as you read through that and they said if you did it on the same year, we don't collect the taxes on the same year it's assessed. It's a year in arrears. So next year you'll be getting a refund for the taxes that you paid in '18 because you pay them a year in arrears. Your '19 taxes that you pay in '19 were for the year of '18. [LB829]

SENATOR HARR: Well, I will just say my question hasn't been answered. Maybe we talk about this... [LB829]

SENATOR ERDMAN: Okay. [LB829]

SENATOR HARR: ...later because I can't quite figure out how, as you drafted it, it's only, again, I use the term "only," \$263 million and \$637 million, \$652 million. [LB829]

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SENATOR ERDMAN: Yep, I see. [LB829]

SENATOR HARR: And change a couple words, it's \$233 million, \$800 million, and \$1.156 billion. So we'll have to figure out why that difference is and who is and who isn't affected. Have you ever heard the term we can't raise taxes to lower taxes? [LB829]

SENATOR ERDMAN: I think Governor Ricketts used that. [LB829]

SENATOR HARR: Okay. And he actually handed out a flyer, is that correct? [LB829]

SENATOR ERDMAN: Yeah, I've seen that. [LB829]

SENATOR HARR: Okay. And you've seen it. I guess my first question is, I'm going to give you the public stage to respond to the accusations made in his mailer by his campaign against your bill. [LB829]

SENATOR ERDMAN: I didn't memorize the flyer. I don't have it. [LB829]

SENATOR HARR: Would you like to give...can I have a page? If you want to look at it and let me know if you think anything is inaccurate or how you feel about that flyer, the information contained in the flyer from the Governor. [LB829]

SENATOR ERDMAN: Which portion do you have most question with? [LB829]

SENATOR HARR: Well, that's what I'm asking you. Do you disagree with anything in the flyer? [LB829]

SENATOR ERDMAN: Yeah, I don't perceive this as being a situation that is going to raise taxes to lower. I don't see that. [LB829]

SENATOR HARR: Okay. And can you explain why that is? [LB829]

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SENATOR ERDMAN: Well, when we get into the discussion about how to pay for this, the object today I believe is to describe and discuss is property tax a problem in Nebraska or not? The issue of paying for it is going to be up to those people in the body when this is passed, either this or the petition passes, to make that decision. In 1967, the voters of the state decided that we'd enough with property tax and they voted to repeal property tax. In '68 when the Legislature came back, or if it was '69, whenever it was, they found themselves with no funding. They made a decision to fix it. We came here last year with a \$1 billion, \$1.1 billion shortfall and we figured out how to fix it. I don't believe it's my job to come here and explain to you or to share with people what I think this fix is or how to solve this problem. My job is to describe to you that property tax is a problem, it's out of line, and we need to fix it. The job of repairing it or fixing it or making it work is going to be the job of the Legislature. And the 49 people that sit in here, there could be 49 different opinions and we'll come to a decision how to fix it. [LB829]

SENATOR HARR: Okay. Going back to that letter, is there anything else in the letter that you disagree with? [LB829]

SENATOR ERDMAN: It says the state does not collect property tax. Well, let me tell you something. Over the years there has been a shift of billions of dollars to property tax from the state to balance their budget. It's a common practice. We do it all the time. And so the state does levy property tax indirectly. That's a false statement. [LB829]

SENATOR HARR: Okay. [LB829]

SENATOR ERDMAN: Let me give you this, Senator. I have this flyer...or information I've printed between the two plans. Take a look at that. [LB829]

SENATOR HARR: Okay. And while I'm reading that, I'll give you a chance to read that over a little bit more and tell me if there's any other items in the Governor's letter that you disagree with in which he takes umbrage with LB829. [LB829]

SENATOR ERDMAN: It says here that the plan lacks accountability measures to force local property entities to reduce their levies and cut their spending. That's the job of the local people.

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That's the job of them to go to the local budget hearing and talk to them about what they spend. It's the job of the state to provide free instruction for those kids in the common schools right now, 5 years to 21. If Senator Kolowski has his way, it will be 3 years to 21. But right now it's 5 to 21. That's the state's obligation, to provide free instruction for those students and the state is not doing it. All right, so it's not a stretch to think that the state ought to do something constitution says. [LB829]

SENATOR HARR: Okay. [LB829]

SENATOR ERDMAN: And I...and he talks about it being \$1 billion per year, roughly a quarter of the state's budget. All right. [LB829]

SENATOR HARR: And we have a fiscal note that shows that that's not correct. [LB829]

SENATOR ERDMAN: Yeah. [LB829]

SENATOR HARR: Okay. [LB829]

SENATOR ERDMAN: I think it's peculiar. I think it's peculiar in this way. I have been around a year and a half, whatever it is. I have never seen a Governor use campaign funds to print a flyer against a bill that hadn't even had a hearing yet. I thought that was peculiar and I still do. [LB829]

SENATOR HARR: Okay. Is there anything else in the subject matter of the letter...by the way, I've been here eight years and I can't recall one either. [LB829]

SENATOR ERDMAN: Okay. [LB829]

SENATOR HARR: So you and I are in agreement on that. Is there anything else in the letter that you take exception to? [LB829]

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SENATOR ERDMAN: Well, he talks about eliminating the agency of the state to pay for this, okay? Government, state government has grown from 2001 when they had the last real crisis in this state and the senators came in for a special session in October of that year, when the budget was short \$750 million and the budget was, as you say, only \$2.5 billion, that's a 30 percent shortfall. And those senators came back in October of that year and they made a decision to make a cut in spending, in expenditures, 10 percent, 10 percent straight across the board. Guess what happened? Every entity that collected taxes in 2001, every one that got tax dollars is still here. They figured out a way to make it work. They figured out how to live within their budget. So to come out and say we're going to eliminate...we're going to cut the education...the university and we're going to eliminate Corrections, we're going to let all the prisoners out and we're going to eliminate all the people in my division, that's not the case. That's not the case. [LB829]

SENATOR HARR: So let me just draw a little difference between 2001 and today. Did they raise taxes...now I don't know. Because of term limits, I have the beauty of coming late. Did they raise any taxes in 2001 as a result as well too? [LB829]

SENATOR ERDMAN: I think later they raised taxes. [LB829]

SENATOR HARR: Okay. [LB829]

SENATOR ERDMAN: I don't believe they did in 2001. When you have a special session, you have one issue and they cut spending. They didn't have an opportunity to raise taxes. [LB829]

SENATOR HARR: Okay. Do you know if they later did raise taxes though? I think they did but I'm not positive. [LB829]

SENATOR ERDMAN: In '05 I believe they did. [LB829]

SENATOR HARR: Okay. [LB829]

SENATOR ERDMAN: I believe they did, but they didn't do it 2001, not in that special session they didn't. [LB829]

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SENATOR HARR: Well, and in fairness, we had just come off of eight years of a Democratic Governor, so I'm sure there's a lot of fat (laughter) as opposed to where we are today. [LB829]

SENATOR ERDMAN: You said that, I didn't. [LB829]

SENATOR HARR: (Laugh) Is there anything else that you take exception to in that in that letter? [LB829]

SENATOR ERDMAN: Well, I take exception that the Governor thinks that his plan is property tax relief. [LB829]

SENATOR HARR: And why is that? [LB829]

SENATOR ERDMAN: Well, we already have a \$224 million Property Tax Credit Program now. People are getting that today, right? He's going to take the same \$224 million and redistribute it in a different way and call that property tax relief. And besides, I don't know why we're talking about the Governor's plan here when we're having a hearing on LB829. [LB829]

SENATOR HARR: And I didn't bring up the Governor's plan. [LB829]

SENATOR ERDMAN: Yeah, you did. Right here. [LB829]

SENATOR HARR: What's that? No, that's...we're talking about your plan... [LB829]

SENATOR ERDMAN: But his plan is mentioned at the bottom of this. [LB829]

SENATOR HARR: Well, and all I asked you was what did you take exception to. [LB829]

SENATOR ERDMAN: (Inaudible.) [LB829]

SENATOR HARR: And let me restate that, as it applies to your bill then, maybe that's the better way to ask that. Is there anything else... [LB829]

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SENATOR ERDMAN: Did you see the flyer I gave you? Did you see that information?  
[LB829]

SENATOR HARR: Yeah, and that has the comparison, but we're not talking about LB947, as you stated. And those are...and I don't want to cut you short, is that the extent to what you take exception to in the Governor's letter? [LB829]

SENATOR ERDMAN: What else do you want me to take exception to? [LB829]

SENATOR HARR: I don't know. [LB829]

SENATOR ERDMAN: Okay. [LB829]

SENATOR HARR: So, okay. I just wanted to clarify the record. I wanted to give you a chance at a public hearing to be able to talk about... [LB829]

SENATOR ERDMAN: Thank you. [LB829]

SENATOR HARR: ...where you stand and what it is. So I appreciate your time. I appreciate your effort on LB829 and I have no further questions. Thank you. [LB829]

SENATOR ERDMAN: Thank you. [LB829]

SENATOR SMITH: Senator Groene and then Senator Schumacher. [LB829]

SENATOR GROENE: Senator Erdman--thank you, Mr. Chairman--you mentioned another flyer where you had Illinois first. Were you going to pass that out or do you only have one copy?  
[LB829]

SENATOR ERDMAN: I can get a copy of that for you. [LB829]

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SENATOR GROENE: I've seen a copy of it. Senator Harr mentioned homeowner, the value of a home versus income. That chart I believe is based on local and state taxes in relationship average income in the state of...in their states. [LB829]

SENATOR ERDMAN: Yeah. And I can get you a copy of it. [LB829]

SENATOR GROENE: So it actually, from 45th, when you look at that chart, doesn't it raise you to number two when you compare it to income. [LB829]

SENATOR ERDMAN: Right. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith. Thank you, Senator Erdman. This is kind of a technical question, but let's suppose this were in effect now. And come December 31, I got a choice to pay my 2018 taxes on December 31 or I can wait until they become almost delinquent, pay them in May, half, and half in September. If I choose to pay them in December, December 31, do I get my rebate on my 2018 tax, or do I get it on my...when my neighbor who chose to be delinquent or headed toward delinquency, gets it on his 2019 tax? [LB829]

SENATOR ERDMAN: When are you going to claim those on your income tax, '18? [LB829]

SENATOR SCHUMACHER: I'll claim them in '18. [LB829]

SENATOR ERDMAN: My impression is that's when you would get your deduction, on your '18. [LB829]

SENATOR SCHUMACHER: Okay. My second question, in looking at the first chart that you handed out, the median cost of housing is higher in 37 of the 50 states. [LB829]



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SENATOR ERDMAN: Higher than us? [LB829]

SENATOR SCHUMACHER: Than Nebraska, yes. [LB829]

SENATOR ERDMAN: Yep. [LB829]

SENATOR SCHUMACHER: So we have a cheap cost of living produced by whatever system we have going here that produces housing cheaper than 37 out of the 50 states. Am I looking at those numbers right? [LB829]

SENATOR ERDMAN: I believe that's correct. [LB829]

SENATOR SCHUMACHER: Thank you. That's all I have. [LB829]

SENATOR SMITH: Senator Brasch. [LB829]

SENATOR BRASCH: Thank you, Chairman Smith, and thank you, Senator Erdman. Last year we both introduced very, very similar bills on how to go about reducing some ag land values and... [LB829]

SENATOR ERDMAN: Um-hum, we did. [LB829]

SENATOR BRASCH: And it wasn't successful on either of our parts. [LB829]

SENATOR ERDMAN: That's correct. [LB829]

SENATOR BRASCH: And when you first came...started your introduction, you talked about, which I agree, it's been a 40-year problem. And when I started eight years ago, the late Senator Kremer because my original office was his original office, we'd had some really good conversations and some of those were about property taxes. And I tried every year, but when I see you coming forward with a bill that's saying we're going to do this and then the next Legislature we'll figure out how to pick up the pieces of where the money's coming from. And

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sitting on this committee for many years we have...and I do think...you know, priority individuals, our veterans, they don't want to retire here. We're taxing...you know, we have...the list goes on and good reasons to cut taxes from property tax on. What my concern is about in having a conversation just I think it was yesterday with former Senator Elaine Stuhr at another event. She'd been here 12 years. She was one of 24 people affected by term limits. And there's a turnover of 24 and then another turnover of maybe 14 and then the turnover next will be 6 of us. And at one point we had the Tax Modernization Committee and a written plan documented on how to move forward. Well, at some point and on your watch there's going to be 24 people and with...turning over. So how do you fix something so major when you have a revolving door of people writing tax policy or good public policy? It does worry me to just say we're going to do this and then figure out...we're going to fix it with duct tape. That's what my father-in-law used to say. If it needs fixing, get duct tape. But I don't think...you're...assure me that we're not going to walk out of here--I won't be here next year, many of us won't--that you can just simply go in and start with a clean table and not have...and hold people harmless. Are there people going to be held harmless or are we...if you cut out one end of the blanket and you sew it on the other end, it's still the same blanket. But you're...and I agree. People are upset, beyond upset, and going belly up because of property taxes. But just to do it this way during a fiscal year, any response to that? [LB829]

SENATOR ERDMAN: Well, let me try. I'm not sure exactly what your question is. I believe your question is, how do we pay for this? Is that...? [LB829]

SENATOR BRASCH: How do you pay for it without raising taxes? [LB829]

SENATOR ERDMAN: All right. You know, I have specifically said over time that I haven't announced how we're going to pay for it. I don't believe that's my job. But let me say the minute that I do, the minute I announce what I believe we need to do to fix this, that will be the bone of contention and that will be where they will pick on the plan. I think we need to come to a decision. Is property tax out of line or not? And if you agree that property tax is out of line then we need to move forward and do something to fix it. Help me fix it. If you think property tax is fine and it should stay where it is, there let's do nothing, okay? I believe my point today is property tax is out of line and I think I've proven that. And I think the testifiers behind me will

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prove the same thing. So the decision is, by you, and the people that sit in this committee and in this Legislature, is property tax out of line? If it's not, don't worry about it. Leave it like it is. And this morning I had a conversation with Senator Schumacher and the question was...I shared with him about the young man that couldn't afford his house because his taxes went up. And Senator Schumacher says have him move, okay? That's not what we need to hear. All right. We got a problem. Property taxes is out of line. I'm not coming here suggesting this is how we fix it. What I'm saying is there are smart people who can figure out how to fix this. And I'm not going to sit here and say we're going to cut this or we're going to do that or we're going to do this. That will be for the Legislature to decide, whether they have one year of service or eight years of service like Senator Harr has. [LB829]

SENATOR BRASCH: (Inaudible.) [LB829]

SENATOR ERDMAN: Those people back in '68 made a decision to figure it out and they figured it out. Last year we had a \$1.1 billion shortfall and supposedly we fixed. But on May 15 or whatever day the Speaker gave me at 9:00 at night, I introduced an amendment to adopt last year's budget as after it was amended the \$80 million, and I got 19 votes. Had I got enough votes to pass that, that budget would have been right on the money today and we wouldn't be talking about a \$200 million shortfall, okay? So how are we going to fix it? I gave you an opportunity last year how to fix it, how to fix last year's budget and we chose not to do that. So I'm not here today to talk about how to fix it. I'm here to talk about we have a problem. And that's what I hope to convey. [LB829]

SENATOR BRASCH: Thank you. I have no other questions. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith. One quick follow-up. Is the petition that you reference a statute or a constitutional amendment? [LB829]

SENATOR ERDMAN: It's a statute. [LB829]

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SENATOR SCHUMACHER: And is it now in circulation? [LB829]

SENATOR ERDMAN: Not yet? [LB829]

SENATOR SCHUMACHER: Has it been filed? Any committee been formed with the NADC?  
[LB829]

SENATOR ERDMAN: It has. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

SENATOR ERDMAN: Thank you. [LB829]

SENATOR SMITH: Senator Groene. [LB829]

SENATOR GROENE: Senator Erdman, do you think if Nancy Pelosi was here, Chuck Schumer, with all their 40 and 50 years' experience in government they could...you would put them in charge of a budget? [LB829]

SENATOR ERDMAN: We wouldn't have a problem. It would be all fixed already. [LB829]

SENATOR GROENE: I don't think so. [LB829]

SENATOR ERDMAN: I'm being facetious. [LB829]

SENATOR GROENE: Remember, we've got to balance our budget. [LB829]

SENATOR ERDMAN: I understand that. [LB829]

SENATOR GROENE: Do you believe there's people in the state of Nebraska with the skills that have balanced budgets in free enterprise that could come in here and fix this in a hurry? [LB829]

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SENATOR ERDMAN: Very much so, sir. [LB829]

SENATOR GROENE: And they wouldn't need 20 years in government to do that. [LB829]

SENATOR ERDMAN: I agree with you. Yes. [LB829]

SENATOR GROENE: I happen to believe that too. [LB829]

SENATOR ERDMAN: Yep, I agree. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: Senator Harr. [LB829]

SENATOR HARR: Thank you. And this is a follow-up to Senator Schumacher. Thank you, Mr. Chairman. I was trying to look it up on my gadget, as Senator Chambers would call it. Do you know, what is the name of the committee for the ballot initiative? And if you don't know, that's fine. [LB829]

SENATOR ERDMAN: I don't know. I don't know. I've heard... [LB829]

SENATOR HARR: Okay. Is there someone I could ask? [LB829]

SENATOR ERDMAN: Okay, here's how it works. The ballot initiative is being run by somebody besides myself, all right? I'm not in charge of the ballot initiative. I'm not in charge of the petition. Someone else is doing that. [LB829]

SENATOR HARR: Okay. Who is that? [LB829]

SENATOR ERDMAN: My obligation is to do this and introduce this bill and it's their obligation to figure out how to run the rest of that and that's what they're doing. [LB829]

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SENATOR HARR: Okay. Who could I contact? [LB829]

SENATOR ERDMAN: Trent Fellers. [LB829]

SENATOR HARR: Okay. Thank you. [LB829]

SENATOR ERDMAN: Thank you. [LB829]

SENATOR SMITH: I see no further questions, Senator Erdman. And that is the opening on LB829. So we are going to begin with proponents. We're going to take five proponents and then we will switch over to opponents after that point. So the first proponent please come up and welcome. [LB829]

DOUG KAGAN: (Exhibit 4) Good afternoon. My name is Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, Nebraska, representing Nebraska Taxpayers for Freedom. LB829 is the first property tax relief bill in my memory that has united rural with urban property owners in an overdue effort to begin the process of property tax reform. I hear a constant crescendo of complaints from our city members who cannot afford to buy homes or remain in their homes in their sunset years because of the property tax burden. I also hear ongoing anger from our members who farm and ranch that they cannot sustain profitability in their livelihoods or pass along to younger family members acreages upon which their families have resided since the 1800s. According to the 2017 American Legislative Exchange Council, Nebraska ranks 11th worst in the nation for property tax burden per \$1,000 of personal income. The Tax Foundation in 2017 labeled Nebraska the seventh worst property tax state for homeowners. Nebraskans are voting with their feet. Two thousand fifteen IRS statistics show that Nebraska adjusted gross income is leaving our state for lower tax states. The bulk of member property taxes subsidize the public schools, even though some city members have no children in the schools or, in rural areas, pay a disproportionate amount of property tax per child in their schools. Such is why we believe that LB829 advantages present a solid first step in property tax relief for all parcels of property. Elderly citizens could comfortably remain in their homes. Rural landowners would not have to sell off landed inheritances to pay the tax load. To counter critics that the deficit created by LB829 is insurmountable, we contend that strategic budget cuts, eliminating state entities not necessary for

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state government functioning, establishing a comprehensive inventory of activities for possible privatization, eliminating state income and sales tax exemptions, restoring tax increment financing to its original intent, requiring every state agency and department to implement zero-based budgeting, and requiring ongoing employee desk audits to decrease state employee numbers will fill this budget gap. Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Kagan. Questions from the committee? I see none. Thank you. Next proponent of LB829, proponent of LB829. Welcome. [LB829]

JAMES SAZAMA: Chairman Smith, fellow committee members, my name is Jim Sazama; that's spelled S-a-z-a-m-a. I reside in Omaha, Nebraska. The address is 9161 Charles Street. Now it's kind of comical to sit here in the audience and listen to the dialogue that goes on between this body of people here. It appears that we've had an issue here for 40-some years and we still have an issue. Now if you watch the news on TV during the day, you watch our Congress and Senate, that's a complete dysfunctional group of people. And I was hoping that you guys could take the ball here and fix some of this stuff. Now my bride of 48 years and I have been living in this house for a number of years and like Mr. Senator Harr, he has a mortgage that he is paying on and he escrows money and taxes what not. Well, 16 years ago my wife and I eliminated our mortgage but we still don't own the house. So you stand to be corrected, sir, because we never own our home. As long as we pay the taxes we can live in the house. A lot of people don't look at it that way but that's a fact of life today. Now about 16 years ago we started renting our house from the county and what I mean by rent, we pay rent to the county. There are programs out here that you can apply for, but you have to be 60 years of age so you can rent your house from the county. Some of you people take note of this because you can save a lot of money, you younger people especially. Renting, you don't have the upkeep and all the rest of this hokey below that goes along with it. Now the reason I'm here today on behalf of myself and NTF is the real estate property taxes. Now we've been in our home a number of years and do you know how many times we've paid for our house? Six times, six times we have paid for our house because of real estate property tax. Now maybe you people aren't that smart to figure that out here, but each month we pay taxes and this body of people here you keep want to spending--spend, spend, spend, spend. Now we have a horrid deficit coming at us not only at the state level but at the national level here and if we don't get a handle on some of this stuff pretty soon we're going to be

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in a world of hurt. There are smart people in this room sitting behind me also and they're here because they're frustrated because it keeps going up and up and up and up. I see the schools, the NRD just spend, spend, spend, spend, spend. Now do you guys all spend like that in your personal budgets? I don't think so and if you do...of course you got plastic. You can use plastic but eventually the plastic gets filled up. Then you got to draw a line in the sand and say, oh, we need to pay the plastic here, or you just pull the plug and...oh, red light already. You're not giving me much here, ma'am. (Laughter). Three minutes? I could talk for an hour here, ma'am. (Laughter) [LB829]

KRISSA DELKA: You only have three. [LB829]

JAMES SAZAMA: Okay. I'm going to cut my deal here, but I got a document today from a Joel Hunt (phonetic) and it talks about taxes. Now each one of you people should have this document here and look at it because it's appalling what we're spending. It's phenomenal. It's beyond human comprehension. Now you guys are intelligent people. We just had a bill introduced here. Now like he says, I'm introducing it. Now you people are supposed to be smart enough to fix this situation. [LB829]

SENATOR SMITH: Okay. Thank you. [LB829]

JAMES SAZAMA: Okay. I'm done. Do you have any questions? [LB829]

SENATOR SMITH: Questions from the committee? Senator Harr. [LB829]

SENATOR HARR: Thank you, Mr. Chairman, and thank you, Mr. Sazana, (phonetically)... [LB829]

JAMES SAZAMA: Sazama. Sazama. Sazama. [LB829]

SENATOR HARR: Sazama. Sorry. [LB829]

JAMES SAZAMA: There you go. [LB829]



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SENATOR HARR: I can't read my handwriting. More of a comment than a question, and the answer is I do run my house like the state because I make \$12,000 a year so I've been hitting my rainy day fund for the last eight years. So I'm probably not a good example. [LB829]

JAMES SAZAMA: Find a different line of work. (Laughter) [LB829]

SENATOR HARR: I am. [LB829]

SENATOR SMITH: Other questions? I see none, thank you for your testimony. [LB829]

JAMES SAZAMA: No questions? Okay, thank you. Have a nice day, everybody. [LB829]

SENATOR SMITH: Next proponent of LB829. Welcome. [LB829]

PAUL VON BEHREN: (Exhibit 5) Thank you. Paul Von Behren, V-o-n B-e-h-r-e-n, from Ames, Nebraska. Senators, I don't want your job. I don't envy your job. But the fact is that it's been very interesting to listen to the exchange so far because I think most of the people who are proponents had their blood pressure raise about ten points listening to the exchanges that have gone on so far. And it's not because that you're necessarily wrong. You're thinking about this exactly the way you should be and that's legislatively. The problem is that's 49 people and there are 1.8 million Nebraskans out there currently in the worst performing economy in the U.S. who are frankly outraged over property taxes, doesn't matter whether you're east. The lead story on this morning on KFAB was the Douglas County outrage over their values. The one simple fact is that about 45 percent of all government revenues I believe right now come from the property taxes. That...they also have the distinction of...the major three taxes that we pay, property taxes are the single tax that are completely unrelated to the ability of the taxpayer to pay them. It's become an onerous burden and they've actually become the go-to funding. This problem has gotten too big for us to deal with on a local basis. We can't. There are too many entities. There are too many pieces. You've got to show up at the meetings. When you have 7 to 14 entities that are taxing your property, it's impossible to address them all. And that's why the state is seeking statewide relief. We understand the difficulty of the problem but part of the difficulty is it takes about a \$1 billion cut in property taxes just to make us average in the United States. This problem has long ago

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exceeded our own ability to take care of it. And I think the thing that we understand is unfair is saying, okay, here's a big problem, fix it. But last year we introduced a bill that would simply ask you to freeze property taxes four years before...while it was worked on. Even that was unacceptable. We come down to a point, Senators, where we have no choice as the people of Nebraska. I'm behind this petition drive 100 percent because it's come down to the point for 40 years, through no fault of your own, you've inherited the problem. But unless it's dealt with here and now, it's never going to be dealt with. This can kicking that we talked about, the conversations of what is the cost to Nebraska government, it does not cost the Nebraska government. It's costing the Nebraska taxpayers. It is not government money. And in the 50th worst economy in the U.S. right now, remember one simple thing: Every dollar that you take out of this economy in taxes comes directly out of the economy. That's out of an already burdened economy and I don't pretend to know the answer. All I know is that the people of Nebraska are fed up, they're angry, they're unified, and we are asking you to accept the problem, get the solutions, and let it be dealt with over time, as hard as it is. Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Von Behren. Questions? Senator Harr. [LB829]

SENATOR HARR: Thank you, Senator Smith. Twice I heard you say that we have the worst performing economy in the state. [LB829]

PAUL VON BEHREN: That was...yeah, and I apologize. I should add that, but that was recently published in a national publication. I could get it for you, but I don't have it right off hand. [LB829]

SENATOR HARR: Do you happen to recall what that is? [LB829]

PAUL VON BEHREN: No, I don't. [LB829]

SENATOR HARR: You read the article, I assume, right? [LB829]

PAUL VON BEHREN: Yeah, the article was there. [LB829]

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SENATOR HARR: Do you happen to recall why they said we were the worst performing economy in the country? [LB829]

PAUL VON BEHREN: I'd have to go back. It's typical information overload. Read too much. But I could dig it out and certainly highlight that information. [LB829]

SENATOR HARR: Yeah, I'd like to see that. [LB829]

PAUL VON BEHREN: Sure. [LB829]

SENATOR HARR: And see what...I mean, if they say it's property tax...I mean I bet it's more it's a lot of little pieces. [LB829]

PAUL VON BEHREN: Oh, I don't think they ascribed it to property taxes at all. But when you combine the performance of our economy, primarily because ag incomes have been cut almost 50 percent in about the last five years, and so as you overlay that, it's not property taxes directly. But when taxes stay the same and go up, ag is...in the same time my residential property taxes went up by 50 percent, ag land property taxes went up by about 175 percent. So the disproportional increase in ag taxes plus the overbuilt ag economy that we had five years ago are now just all boiled down to that. [LB829]

SENATOR HARR: And that disproportionate raise, was that related to the increased value in the property, or was that ag was assessed quicker than...? [LB829]

PAUL VON BEHREN: I think it was, again I'd have to go back and look, but I believe it's primarily due to land values. You know, we were gearing up for the ethanol boom and we thought we had the \$8 corn and isn't this wonderful. And now we're down...it's down to \$3 or less. And I have family in the farming business and we understand fully what this is doing. So add decreased revenues on increasing property taxes and it literally is a business-impacting situation for many farms. [LB829]

SENATOR HARR: Okay. Thanks for coming. Thanks for making the trip down here. [LB829]

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PAUL VON BEHREN: Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Von Behren. Next proponent of LB829. Welcome. [LB829]

CRAIG BOLZ: Senators, my name is Craig Bolz, B-o-l-z. I live at 1091 North 6th Road north of Palmyra, Nebraska. I'm here in total support of LB829. Have you ever heard that we don't own the land? We just have the joy, the pleasure, the privilege, and the responsibility to care for the short time while we're here on this earth. You can read that somewhere if you know what I'm talking about. I take really good care of my land, whether it's owned or rented. And I have great pride in what I'm doing. And all I ask from you and from the 49 senators is to be fair. It's not fair when 3 percent of people pay about a third of the taxes. When I started farming in 1972 I sold my first corn crop for \$2.85. In 2017, I sold some of the corn at the end of harvest for \$2.85. We had 120 bushel yield in 1972. My APHs, dryland now are around 148. You guys do the math because if you guys can make this come out, I need help. In 1973 I paid my first property taxes. I bought my own house when I was 19 years old. I gave \$13,500 for it. I still live in it and I still own it. I paid \$152. I have grown substantially since then. You take the land that I own and the land that I rent now, take it times the taxes and the acres I have, I paid approximately \$104,000 of taxes last year. And I indirectly pay the taxes whether I own or rent the land. In this bill we all know that there's...that the schools are not going to be shorted their tax revenue. It's going to be paid locally. Public education is pricing itself out of business. It will happen. If you don't believe me, ask the superintendent of Kearney. When the public schools have to start advertising on TV how great they are, they're in trouble and they know it. When the superintendent of Class C-II school gets paid more than the Governor, something is wrong. To close, don't ask me how to fix this revenue shortfall when this goes through. That's your job, just like Senator Erdman said. That's your job. I did my job. I've already paid my 2017-18, it would be, taxes...2017 taxes are due in '18. I've already paid them. I've done my job. I can give you a few things here of how to come up with a shortfall. If anybody wants to talk to me, I'm running out of time here, you're going to have to come to me. All I want out of life is I want to pay my bills on time, and I want to give my grandfather's farm to my daughters and granddaughters, and I mean that and that's all I want. And I'm not for sure this is possible. Another thing that I want to run past you, TEEOSA. What kind of management gives TEEOSA dollars to school districts and don't oversee the

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spending of them? Wow, wow. I'm scared to death because I went through the eighties and I'm scared now. And I'm just telling you guys that if this goes to a vote of the public, you better be prepared because it will pass 35-65...it will pass 65-35. Thank you very much. [LB829]

SENATOR SMITH: Thank you, Mr. Bolz, for your testimony. Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony today. Just curious, you indicated you paid \$104,000 in property taxes. How much of...on how many was that attributed to? [LB829]

CRAIG BOLZ: That's none of your business. [LB829]

SENATOR SCHUMACHER: Okay. And the other thing I would like to...you said you had a couple three things to hint for us as to where we would get the money from. Take 30 seconds and tell us what those are. [LB829]

CRAIG BOLZ: Do you really want to know? [LB829]

SENATOR SCHUMACHER: Yeah, I do. [LB829]

CRAIG BOLZ: Then you're going to give me the time on your time. [LB829]

SENATOR SCHUMACHER: Yeah, sure. [LB829]

CRAIG BOLZ: Okay. [LB829]

SENATOR SMITH: Well, let's... [LB829]

SENATOR SCHUMACHER: That's not...for more than...I said 30 seconds. You (inaudible)... [LB829]

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CRAIG BOLZ: Let me give you a few places to start. Put college degrees, 401(k) plans, stock portfolios on personal property tax. I pay personal property tax on my combine and my tractor that I use to make my living with. Another thing, the biggest thorn in my back is nonprofits, put the nonprofits on the property tax rolls. They make millions and millions and millions and millions of dollars. Another thing you could do, put sales tax on real estate sales. Wow, would that would make them holler. [LB829]

SENATOR SCHUMACHER: Thank you very much. And I think we're at the 30-second limit there. [LB829]

CRAIG BOLZ: Thank you. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

CRAIG BOLZ: You guys done? [LB829]

SENATOR SMITH: All right. Thank you, Mr. Bolz. [LB829]

CRAIG BOLZ: Thank you very much, guys and ladies. [LB829]

SENATOR SMITH: We have one more proponent before we move to five opponents. And welcome back, Mr. Johnston. Sorry we kind of changed things on you earlier. [LB829]

ROBERT JOHNSTON: Chairman Smith, Committee, thank you for indulging my previous eagerness. Again, I am Robert, R-o-b-e-r-t, Johnston, J-o-h-n-s-t-o-n. I'm a farmer from Clearwater. I'm here today as a member of the Nebraska Agricultural Leaders Working Group to testify on behalf of the Ag Leaders in support of LB829. The Agricultural Leaders comprise of several agricultural organizations, including the Cattlemen, the Corn Growers, Farm Bureau, Pork Producers, Soybean Association, and Dairy Association. I want to share our group's general thoughts on property taxes and then speak directly to LB829. We believe something of substance must be done on property taxes this legislative session. Our organizations stand ready to work with you and your colleagues to make sure that happens. There are efforts circulating to address

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this issue by other means. Our preference is to find a legislative solution to property tax issues. Complex issues require a portfolio of solutions and that's what we're looking at today. We have no illusions that any one bill completely solves all the issues related to property taxes, but many of the bills that have been introduced have aspects that are good. As we evaluate the different proposals, we're looking for a solution that is significant, one that provides between \$600 million to \$1 billion in property tax relief as soon as possible. We're looking for solutions that put us on a path for long term relief for all property taxpayers, a solution that generates a broad enough support in the Legislature that it can be passed this session. We'd like to thank Senator Erdman and many other senators who are champions of property tax relief. This plan is a product of many thoughtful conversations. We understand this bill would come with a large price tag, but in our estimation it takes a big solution to solve a big problem. The majority of Nebraskans think quality education is vital and it's a priority outlined in our state's constitution, yet more than 70 percent of school districts in Nebraska do not receive equalization aid and two-thirds of funding for K-12 education comes from property taxes. We care about education but it is the state's responsibility to pay for it. We recognize it will take revenue to provide this level of tax relief. There will be other bills that will come before this committee that include means to pay for relief and we'll provide our thoughts on the different options available as those bills come before the committee. We are confident the Legislature can find a means to provide relief. History has demonstrated the Legislature's ability to close significant budget gaps. We believe the same can be done to deliver tax relief to Nebraskans. Just one paragraph. Battling over property taxes for another year without results is unacceptable. Our objectives have been consistent: to provide meaningful property tax relief, encourage fiscal restraint, and maintain our quality K-12 education. The Ag Leaders appreciate Senator Erdman's commitment to his constituents. Property taxes are the number one issue facing Nebraska who have clearly indicated their willingness to act if the Legislature once again fails. We encourage this committee to advance LB829. [LB829]

SENATOR SMITH: Thank you, Mr. Johnston, for your testimony. Do I have questions from the committee? I see none. Thank you. Appreciate your being here today. We now move to opponents and we're going to take five opponents, then we'll go back to proponents. Welcome. [LB829]

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JIM GREISCH: Good afternoon, Chairman Smith and members of the Revenue Committee. For the record, my name is Jim Greisch, J-i-m G-r-e-i-s-c-h, and I'm here today representing the Greater Omaha Chamber of Commerce, where for the last ten years I have served as the chairman of our economic development and public policy committees, and the Lincoln Chamber of Commerce in opposition to LB829. First, let me start by saying we hear, we understand, and we join the drumbeat of voices clamoring for property tax relief. We understand that it is particularly acute in the rural areas. But the pain is shared by residential and business taxpayers in our largest cities too. Omaha itself has a combined levy of just under \$2.25; Douglas County, just under \$2.30. Bottom line, all taxes in Nebraska are too high. In our minds, however, LB829 is not just the wrong answer, it is the worst possible answer. First, it does nothing to address the root cause of all tax issues and that is excessive spending. In fact, this bill would mask the amount of property taxes paid by property owners in our state. In addition, we believe this bill would shift a large amount of the burden to others sources, mostly income taxes. Proponents would tell you this is done by design. But they cannot point to a single time that this has been done in the past that has demonstrated or resulted in real lasting property tax relief. But this has been tried over and over and over again by the Legislature without good result. Finally, we know the threat of a petition looms over our heads. The fact is that both this bill and the proposed petition provide for no direction for where dollars will be found to cover the so-called relief. We as a state will face devastating cuts to essential services and/or massive tax increases. This is absolutely the wrong time to do this when our number one priority should be growing our state. We are so convinced that this is the wrong path for the state that just as I am here today representing the Omaha and Lincoln Chambers in opposition to this bill, these same organizations will join many others to aggressively work to defeat the petition that attempts the same remedy. Thank you for your time this afternoon. [LB829]

SENATOR SMITH: Thank you, Mr. Greisch, for your testimony. Senator Groene. [LB829]

SENATOR GROENE: Sir, do you believe in the Advantage Act? [LB829]

JIM GREISCH: The Nebraska Advantage Act is a necessary tool. [LB829]

SENATOR GROENE: Why do you think it's a good tool? [LB829]



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JIM GREISCH: Because we have bad tax policy in Nebraska and the Advantage Act was designed to help provide for economic developers to fix the tax policy that is broken. [LB829]

SENATOR GROENE: So you're agreeing that by cutting taxes you get economic growth, and would that not bring more taxes into the state? So I... [LB829]

JIM GREISCH: Economic growth generally lifts all boats, yes. [LB829]

SENATOR GROENE: Yeah, all right. So this is a good tax cut. It puts more money in the pockets of corporations, businesses, individuals. Would that not spur the revenues of the state? [LB829]

JIM GREISCH: Senator Groene, we do not believe this will provide tax relief. First and foremost, in order to cover budget shortfalls... [LB829]

SENATOR GROENE: I didn't ask you that. Would it spur, as the federal tax cuts did, would it spur economic growth, because more money is in the pocket of businessmen and taxpayers? [LB829]

JIM GREISCH: A tax cut, a real tax cut, would in fact create economic opportunity. However, it only creates an economic opportunity if, in addition to that tax cut, it is not offset by increases in other forms of revenue raising that are necessary to run state government. [LB829]

SENATOR GROENE: But the fact is a tax cut...if you're free market individual, a tax that spurs economic growth, does it not? [LB829]

JIM GREISCH: In the limited circumstance that you've described, yes. [LB829]

SENATOR GROENE: Thank you. [LB829]

JIM GREISCH: But we don't believe that it can be done in that limited circumstance. [LB829]

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SENATOR GROENE: I don't think the Advantage Act helps, to tell you the truth. But anyway.  
[LB829]

SENATOR SMITH: Senator Friesen. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Grish, (phonetically)... [LB829]

JIM GREISCH: Greisch. [LB829]

SENATOR FRIESEN: Greisch, would you say, when you look at what has happened with property tax issue, that there's been a massive tax shift? [LB829]

JIM GREISCH: Well, all taxes in some form whenever they are raised produce a tax shift, yes.  
[LB829]

SENATOR FRIESEN: But just not even talking about the raises, just what's happened in the economy over the past ten years and the biggest reason that I guess there's unrest in the country is because of the tax shift. So would you admit that it's been a tax shift or has it been a spending increase? [LB829]

JIM GREISCH: Well, I don't think you can look at either one in isolation. So there has clearly been increased spending and, yes, the burden has been shifted across the forms of taxation available to those raising revenue. [LB829]

SENATOR FRIESEN: So if I, for instance, would come up with a bill or a program where we move that shift back, would that be considered a tax increase or a tax shift? [LB829]

JIM GREISCH: It would be considered a tax increase for those who are going to pay the increased tax. [LB829]

SENATOR FRIESEN: But the tax shift when it was going the other way it was a tax increase for someone else. [LB829]

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JIM GREISCH: No question. [LB829]

SENATOR FRIESEN: So we've had the tax increase. [LB829]

JIM GREISCH: We've had a tax increase, no question. I mean the state revenues are clearly up. So are property tax revenues. [LB829]

SENATOR FRIESEN: Now to try, I guess, my goal is trying to equalize that pain across all taxpayers. We've had a shift into a minority of taxpayers and my goal I guess is to...has always been to change how we fund education. I think that's where the majority of the complaints come from is the dollars that go to education is...do you think there's a property tax problem? [LB829]

JIM GREISCH: Yes, sir. [LB829]

SENATOR FRIESEN: And so you understand taxes. Would you say it's based mostly on what the schools are levying for taxes or is it the county, city? Is it one entity that you think has spend more than any other? [LB829]

JIM GREISCH: No, I think all forms of taxation have risen, some at disproportionately large rates and taxes are up. So it doesn't make any difference to me which one of the elements of property tax or the mill levy in any particular county you focus on. They're all rising at a rate that's clearly not the sustainable. Property taxes are too high. [LB829]

SENATOR FRIESEN: Okay, I mean I'll give an example. My property taxes went up 180 percent--that's the check I write--over ten years. I don't think there's any other business that has seen an increase like that in taxes ever that I recall. [LB829]

JIM GREISCH: At 180 percent, I'd have to do some research but all businesses with whom we talk, talk about the increase that they are sustaining across the economic spectrum in all sectors. [LB829]

SENATOR FRIESEN: Okay. Thank you. [LB829]

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SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony today. We're hearing today about the property tax problem. And I think in reference to Senator Groene's question you inferred, or at least I thought I heard you infer that we have an income tax problem and a sales tax problem. So, you know, there's no Peter to rob to pay Paul. And I'm Paul. (Laughter) [LB829]

JIM GREISCH: Touche. [LB829]

SENATOR SCHUMACHER: So how do we grapple with just gone through 15, 20 years of pretty tightfisted Republican Governors and pretty tightfisted Legislatures, yet spending has gone up. We have disgruntled taxpayers from all sectors. Where do we begin to solve the problem, I mean from your perspective? [LB829]

JIM GREISCH: Senator Schumacher, we have a 50-year-old tax policy in the state of Nebraska; 1967 was the bill referenced earlier by many others. That bill, that policy, that tax policy has been duct-taped and bailing-wired and band-aided for 50 years. It needs to be modernized. [LB829]

SENATOR SCHUMACHER: And... [LB829]

JIM GREISCH: It does not reflect the current economy. [LB829]

SENATOR SCHUMACHER: And what is the modernization plan? [LB829]

JIM GREISCH: All three legs of the stool would have to be reevaluated in order to provide sufficient revenue to fund the essential services of government. In our view, that would mean that sales tax exemptions would have to be reviewed, income tax revenues, income tax withdrawals from the economy would have to be reviewed, as well as property tax levies across the state, and discipline would have to be put in at local spending. There is a way to modernize our tax policy in a manner that will produce sufficient revenue to fund the essential services of government.

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The fact is that when we look at these, we are looking at only one of those. And when we look at only property taxes we miss the opportunities and/or the necessary change in both sales and income tax. [LB829]

SENATOR SCHUMACHER: I'd welcome further conversations with you on those issues. [LB829]

JIM GREISCH: Yes, sir. [LB829]

SENATOR SMITH: Further questions from the committee? I see none. Thank you, Mr. Greisch, for your testimony today. We now move to the next opponent. Welcome. [LB829]

LANNY BOSWELL: (Exhibit 6) Thank you. Senator Smith and members of the Revenue Committee, my name is Lanny Boswell, spelled L-a-n-n-y B-o-s-w-e-l-l, and I am here as the president of the Nebraska Association of School Boards, representing Nebraska's 1,724 locally elected school board members, to oppose LB829. It is no secret there is a high property tax burden in Nebraska. However, we do not believe LB829 is the right vehicle to provide property tax relief. State and local taxes support essential government functions, like K-12 public education. A successful mechanism for property tax relief must provide replacement funding for the lost revenue, and by not doing so, LB829 puts these essential government functions at risk. In a survey of our members last summer, 68 percent of the school board members responding supported lowering property taxes by identifying replacement revenue sources. At our Area Membership Meetings, held throughout the state, school board members identified possibilities for replacement revenue including junk food, alcohol and tobacco, sales tax exemptions, and Internet sales. This past Sunday, the NASB Legislation Committee met to discuss the various bills that have been introduced this session. Much of our discussion focused on the tax relief bills, and what we can do as locally elected officials to help our 531 communities develop a long term, viable solution to grow Nebraska's economy by investing in the things that make this state great, like education, infrastructure, and work force development. School board members respect and appreciate the work you have in front of you this session to find a balanced, long-term solution to high taxes, while protecting the essential functions of state and local government. We do not believe LB829 meets that standard and respectfully request that the bill be indefinitely

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postponed by the committee. Thank you for providing this hearing and I would be happy to address any questions. [LB829]

SENATOR SMITH: Thank you, Mr. Boswell, for your testimony. Senator Groene. [LB829]

SENATOR GROENE: Thank you, Mr. Chairman. To the Omaha guy, I appreciate your answer. I ask as Education Chairman, your organization to bring me mandates that you think the state could get rid of to lower your costs and so you could function in the...spend your money in the classroom. I got zero. Has your organization ever talked about how you can help the state by making your organizations, local schools more efficient? [LB829]

LANNY BOSWELL: Senator, I believe that all school boards are interested in finding ways to be efficient, but I don't believe that we have a problem with school spending in our state. I believe we have a revenue problem in the way that we fund the schools. (Audience reaction) I don't think that we are overinvesting in our children's future. [LB829]

SENATOR GROENE: Can you give me a study of that from the organization to that relates spending to outcomes? [LB829]

LANNY BOSWELL: Can you ask that question again, a study? [LB829]

SENATOR GROENE: I want to see a documented study where the amount spent per student equals outcomes. [LB829]

LANNY BOSWELL: We can certainly get information on that for you. [LB829]

SENATOR GROENE: And I'll show you a school district that does \$9,400, Millard, and gets better results than LPS who spends \$10,500 so you can't show me that study. [LB829]

LANNY BOSWELL: Well, Senator, would you account for poverty in that equation? [LB829]

SENATOR SMITH: And we're not going to ask senators questions. [LB829]

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SENATOR GROENE: No, we're not going to go there. [LB829]

LANNY BOSWELL: My apologies, Senator. [LB829]

SENATOR GROENE: I'll answer that. Every kid to me is equal and every child sits in that chair I don't label him poor or a color. He has the same opportunity and your duty is to educate him and you don't worry about who his parents are. All right? Thank you. [LB829]

SENATOR SMITH: All right, I see no further questions from the committee. Thank you, Mr. Boswell, for your testimony. [LB829]

LANNY BOSWELL: Thank you, Mr. Chairman. [LB829]

SENATOR SMITH: And that's...and let me just ask if we could keep any indication of our support or opposition to our testifiers to ourselves so that we show respect to the folks that our testifying. I appreciate it. Thank you. Welcome. [LB829]

RON SEDLACEK: Chairman Smith, members of the Revenue Committee, my name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, testifying on behalf of the State Chamber of Commerce in opposition LB829. Well, the State Chamber's position is similar to that expressed by Omaha and Lincoln Chambers, that both income taxpayers and property taxpayers in Nebraska need relief. After review of the bill, our position is that LB829 is not the kind of stable and predictable public policy to deliver such relief and won't have the necessary support of our membership to achieve property tax relief for all property owners, whether commercial, residential, or agricultural. The State Chamber has a longstanding policy, and I've been to this committee before expressing that on their behalf, to...in opposition to legislation that purports to deliver tax relief simply by shifting the mix of tax collections, in this case, from property potentially to sales and income taxes. The State Chamber believes that, one, local control, two, coupled with reduced spending and, three, with efficient management by local political subdivisions is the most effective way to provide relief from local property taxation. LB829 addresses none of these issues. Rather, it appears LB829 is based on the belief that state government income, sales tax revenues will guarantee lower local property taxes by shifts. It's been tried before and it's failed

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before multiple times. In years immediately following previous tax shifts of state sales and income tax dollars, there's an old study, 1996 study by the Nebraska Tax Research Council in which here examining what happened after...with the aftermath of the passage of LB1059 back in 1990. What they found was within less than two years it raised...even though the bill raised the state sales tax rate from 4 percent to 5 percent and increased income taxes by about 17.5 percent and certainly increased state aid to schools, there was a significant amount of property tax increases during that time. The increases were roughly 17 percent according to the Tax Research Council. Right now, approximately one-third of the state's income and sales tax revenue is redistributed to local government. We can have honest disagreements over the way that state money is distributed including state...the school aid formula. But after 50 years under the current tax structure, it's difficult to argue that more shifting by state government will result in reduced local property taxes. And I'm going to wrap up this testimony so that others can also enter their testimony as well, but I'll take questions. [LB829]

SENATOR SMITH: Thank you, Mr. Sedlacek. Questions from the committee? I don't see any. [LB829]

RON SEDLACEK: Thank you. [LB829]

SENATOR SMITH: Thank you again for coming. Next opponent of LB829. Welcome. [LB829]

ROBERT HALLSTROM: Chairman Smith, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today on behalf of both the Nebraska Bankers Association and the National Federation of Independent Business in opposition to LB829. Like the witnesses before me, we certainly know that there is a significant level of concern over property tax which exist across the state, particularly within the agricultural community, but across the spectrum of all property taxpayers. However, the organizations that I represent are interested in tax relief as a way to grow our state and we fear that LB829 will result in a tax shift rather than true tax relief. We certainly don't question the merit or the objective of Senator Erdman in trying to bring about \$1.1 billion in reduction of property taxes, but again, are skeptical as to whether or not this can occur without a significant tax shift. In addition, a great deal of uncertainty exists with respect to the fact that LB829 provides no clues as to where



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additional revenues would come from, even if there were those that would support that type of tax shift. The property tax problem didn't occur overnight. We sincerely doubt that there's a magical silver bullet that will take care of it in one fell swoop or under one particular piece of legislation. And I'd close in commenting Mr. Kagan got up here and suggested with his visual that citizens are voting with their feet by leaving the state because of high taxes. And that's our very concern is that if there is not true property tax relief or true tax relief, that we haven't a remedy for the evil or the problem of high taxes that face our citizens. With that, I'd be happy to address any questions of the committee. [LB829]

SENATOR SMITH: Thank you, Mr. Hallstrom. Who were you were representing, NFIB and...? [LB829]

ROBERT HALLSTROM: The Nebraska Bankers Association and the National Federation of Independent Business, Senator. [LB829]

SENATOR SMITH: Okay, very good. Thank you. I see no questions. And next opponent, and this is five, the fifth opponent and then we're going to go back over to proponents after this testimony. Welcome. [LB829]

TIFFANY JOEKEL: (Exhibit 7) Thank you. Chairman Smith members of the committee. My name is Tiffany Joekel, T-i-f-f-a-n-y J-o-e-k-e-l, and I am policy director at OpenSky Policy Institute. Without reiterating what opponents have said before I would say our primary challenge with this piece of legislation is that it does create a rather large budgetary impact with no clear path forward in how to pay for that. And I understand that Senator Erdman is posing the challenge and asking the Legislature to develop the solution on the other side if this were to be implemented. I would respectfully request, you know, that the Legislature or provide an honest and transparent choice to constituents who may review your positions on this legislation, but also may be asked to vote on it in November what services, programs would have to be forfeited on the other side of this successful implementation of this policy. So we absolutely appreciate the goal and the commitment of Senator Erdman and many of those who have come today to testify in support, but we really feel like it doesn't give both sides of the story and that's a real problem. And I think it raises a problem for sustainability as well. If it is implemented, how is it

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sustained? Could the Legislature in the future pull back on that commitment given that it's such a substantial commitment of state resources. Secondly, we raise a question about that perception of tax relief. Will this be perceived as property tax relief given that, as Senator Erdman, indicated you will still be levied and taxed in the same manner. You will still receive that same tax bill with the same amount and want to make sure that this given in another form is actually recognized as property tax reduction, given that it is such a substantial commitment of state resources. The worst thing that could happen in some ways is that you do make this commitment and then it isn't felt as property tax reduction because we really haven't changed the property tax system in any way. A couple technical things I wanted to briefly mention, the two...the tax levied and paid in the same year issue that was raised by Senator Harr in the fiscal note I'm happy to dive into that a little more but I do think that will raise challenges in that you will have to both be levied in December and I think immediately pay or your taxes in December so it will limit this availability to people who have the cash flow to do that and don't pay their property taxes in two installments. So I think that might be the impact of the fiscal note. And then the last technical piece that I would mention is as is written you can take a deduction for your property taxes paid if you itemize currently and then this would create another credit so in some ways we'd be drawing on taxable income twice as this is written. So that's just a technical piece I would raise. Again, I want to know that we appreciate the challenge. You will see us in this committee talking about other efforts to try to address this property tax challenge. Unfortunately, we feel like LB829 does not represent the full solution because it's only the cut but not how we pay for that. [LB829]

SENATOR SMITH: Very good. Thank you, Ms. Joekel. Questions from the committee? I see none. Thank you for being here and for your testimony. We now move back over to proponents. And I'm going to...sir, I'm going to ask here...We have kind of a queue process here. So I want to make certain the folks... [LB829]

\_\_\_\_\_: I'll forfeit my spot. [LB829]

SENATOR SMITH: Okay. All right. [LB829]

\_\_\_\_\_: (Inaudible.) [LB829]

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SENATOR SMITH: Yeah, I just want to make certain the folks that come up and queue up, that they have an opportunity to come up and speak. So we have five seats up here and five seats there for over for opponents. Those are opponents seats over there, proponents seats. So if you want to queue up so we can make certain we respect folks that have been waiting here for a while to come up. Welcome, sir. [LB829]

JOHN CHATELAIN: Yes, thank you, Senator. My name is John Chatelain, J-o-h-n, last name C-h-a-t-e-l-a-i-n, and I am the president of the Metropolitan Omaha Property Owners Association. We are an association of about 500 members and our members have multiple properties, primarily commercial properties and residential properties, although we have some members who own farmland as well. And we support LB829. I know it's not a perfect bill but at least gets the discussion going. It will force the Legislature, I believe to make the difficult decisions towards cutting spending. It's interesting today that almost all the discussion is about, how do we raise other taxes to pay for this tax cut? Well, I think the solution is going to lie in curtailing expenses and cutting spending. When I was a child going through the educational system it doesn't seem to me that we had near the administrators that we do today. There's a lot more cost for administration in the public schools that didn't used to exist and I wonder how much of that really has anything to do with training the students. I think the education...the emphasis ought to be on education and not on administration. So I think there are ways to cut costs in public administration...public education system. Nebraska is one of the highest tax states in the country. Our real estate taxes are really hurting us. I spoke to a farmer this morning who farms near Bennington, Nebraska, and I talked to him about purchasing a piece of land that I have in a case that I'm working on. And he said well, under ordinary circumstances I would buy it but with the low commodity prices and the high taxes I don't think so. He mentioned that he knew of farmers that were buying land in Iowa because their real estate taxes are a lot lower. We happen to own a home also in Missouri and on a similar valuation. It's my calculation that that tax is about one-fourth as much as it would be in Nebraska. And now my association is landlords and don't think that just landlords pay the taxes because renters also pay the taxes also. If you are a renter in this room you probably have noticed your rents increasing lately. They are going up dramatically. I see people that are being evicted all the time because they cannot afford to pay their rents that they have to pay. And a large slice of that rent is real estate taxes. The landlord has to pass that on to the tenant or the landlord will go out of business. In addition to obtaining some tax relief

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for property owners, I think this bill would give the school systems some legislative oversight which we are lacking on right now. Right now the spending at the local level for education is totally at the local level. There is no statewide or legislative oversight over how much those schools are paying or spending and they just spend whatever they take in and I think there is some room there for cutting those expenses and I think we need the Legislature to get involved in that. Looks like I'm out of time. [LB829]

SENATOR FRIESEN: Thank you, Mr. Chatelain. Questions? Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Senator Friesen. We've had a lot of bills introduced on taxes that have come before this committee and a lot of people are going to show up at various hearings. Earlier today I asked a gentleman a question where we might make this thing balance if we would make such a cut. And he had two suggestions. He had actually three suggestions; I was quick enough only to write two. Sales tax on land sales, real estate sales, and taxing nonprofits which presumably will include churches. Are you in agreement that that's a good place to start? [LB829]

JOHN CHATELAIN: You know, I haven't really thought about that, but I have noticed more nonprofits being formed. Recently in Omaha there was a land bank that was formed and every property that the land bank takes, and it takes it off of the real estate tax records, so I don't know why we're increasing additional associations and organizations that are tax exempt, because then that only pushes that tax to the people who are paying it. And I haven't really given that much thought. Probably churches shouldn't be paying taxes on their worship center, in my opinion, but if they own additional properties like apartment houses and strip malls and things like that. I think they should be paying taxes on that. But that's just my own personal opinion. I hadn't really given it that much thought. [LB829]

SENATOR SCHUMACHER: We're trying to brainstorm through to an answer. Thank you very much. [LB829]

JOHN CHATELAIN: I think that's what we need to be doing. [LB829]

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SENATOR SMITH: Senator Brasch. [LB829]

SENATOR BRASCH: Thank you, Chairman Smith, and thank you for coming forward today. To say property taxes are too high is an understatement. I would agree. The thing that I do disagree with is saying let's do it and we'll figure it out later. And when we're talking about later, my concern is, yes, we did have to trim the budget last session. But that's following a time of prosperity for agriculture. The state wasn't in a recession. And we gave back many things that we once had to cut eight years ago because we had a billion dollar shortfall then. But I think it's only fair to look ahead and what do you think we're doing too much of I mean that...where do you want to get a billion dollars more? Vulnerable adults? Foster kids? The roads? [LB829]

JOHN CHATELAIN: Well, since the focus of this bill is on schools, I think that we need to be addressing how much the schools are spending and the amount that they're spending on administration as opposed to education. [LB829]

SENATOR BRASCH: Is there a billion dollars there? Has anybody put a pencil to it? [LB829]

JOHN CHATELAIN: I don't know. [LB829]

SENATOR BRASCH: A billion dollars in school superintendent costs, that's what you're saying? Or teachers salaries or...I mean I think we have to know before we do this. We just can't jump off the cliff and not know if there's...what's below us--if there's an abyss or if there's going to be a cushion to fall on. [LB829]

JOHN CHATELAIN: That's why we have a Legislature and that's why we have people that run for the Legislature and they know that they're taking on a tough job. But this is a job that the Legislature should be figuring out because people are voting with their feet. They're leaving the state. We're not growing economically compared to the states around us. [LB829]

SENATOR BRASCH: And you believe that the... [LB829]

JOHN CHATELAIN: And so we've got to...we've got to do the tough work and... [LB829]

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SENATOR BRASCH: And we ended...we had term limits now we're staying keep bringing in new people to fix everything but the problems are still there. And you think maybe the problem...I don't know. I'm sorry but I want to see where...show me the money that we're going to come up with and winners and losers. There's going to be winners and losers. Right now yes, agriculture is the loser and I want them to be the winner. But I think people need to be perfectly clear on where the money is coming from. Show me the money. [LB829]

JOHN CHATELAIN: Well, whenever you could taxes you have a difficult problem. And you can either talk about it in terms of shifting those taxes to another type of tax or you could focus on cutting expenses. And I think that's why we have a state Legislature to figure those things out. I don't know any place else that that can be sorted out other than the state Legislature. And so those things have to be done, but we have to cut expenses, my opinion. [LB829]

SENATOR BRASCH: And I would not disagree, but we need to know where that billion dollars is coming from. We had...we made budget cuts from Appropriations and we had the Rotunda full of some vulnerable adults saying, you know, where are we going to go? And so I think we need to have a clear plan. But I do appreciate your coming forward today, but I hope people that come up next tell us exactly where the money needs to come from. Thank you. [LB829]

JOHN CHATELAIN: Well, the Legislature would have its work cut out for it next year, no doubt. [LB829]

SENATOR BRASCH: It always has. So thank you. [LB829]

SENATOR GROENE: Excuse me, sir. [LB829]

SENATOR SMITH: Okay, just a moment. Senator Groene. [LB829]

SENATOR GROENE: Thank you, Mr. Chairman. You're in business. Do you think if we cut taxes the economy would grow and then more income and sales taxes would be...if your members had all of a sudden they paid \$10,000 on an apartment building and they got \$4,000 of it back as a cash refund they would go out and buy things? [LB829]

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JOHN CHATELAIN: I think that would stimulate the economy. You know, a good example of that is the federal income tax cut that has just occurred where large corporations are giving bonuses to their employees and people are going to take this extra money and go buy new refrigerators and new furniture and new automobiles. It's going to definitely pick up... [LB829]

SENATOR GROENE: Spur the economy. [LB829]

JOHN CHATELAIN: Absolutely. [LB829]

SENATOR GROENE: So we're not looking at a stagnant, which some have described a billion dollars. I look here at the budget book, the Fiscal Office that first year expects a \$304 million in revenues. So there's \$304 million. We've got \$240 million in Property Tax Credit Fund. I think everybody understands that would have to go towards this. Now we're at \$544 million. We've got the homestead exemption which probably wouldn't be needed anymore. We've got \$72 million. And now we're only \$200 million short that we have to cut the budget. Now I'm assuming that with the property tax cut and this big of tax cut we'll grow the economy enough and we're okay. [LB829]

JOHN CHATELAIN: You know... [LB829]

SENATOR GROENE: We don't live in a stagnant economy. [LB829]

JOHN CHATELAIN: That's a good point. [LB829]

SENATOR GROENE: Thank you. [LB829]

JOHN CHATELAIN: I'm not saying you don't have a difficult job ahead of you... [LB829]

SENATOR GROENE: It's not. [LB829]

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JOHN CHATELAIN: ...but I just I just watched the movie The Darkest Hour and probably one of the finest statesmen in the twentieth century had a difficult problem to deal with there, but he handled it. He took care of it. And the Legislature is our leaders. [LB829]

SENATOR GROENE: And did you know even with the budget cuts, the economy, our revenues kept going, they've never...they did not dip. [LB829]

JOHN CHATELAIN: That's a good point. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Chatelain, for your testimony. We move on to the next proponent. Next proponent, please come up. [LB829]

LEE TODD: (Exhibit 8) My name is Lee Todd. Don't start the clock yet, please. I have a handout. I've been a real estate investor for 35 years. [LB829]

SENATOR SMITH: Mr. Todd...no, please sit down and spell your name for us. [LB829]

LEE TODD: T-o-d-d. It's very complicated, but I hope my... [LB829]

SENATOR SMITH: That's for the transcriber. [LB829]

SENATOR GROENE: And the last name. [LB829]

LEE TODD: First name Lee, last name Todd. I have been blessed with three first names so I apologize for that. [LB829]

SENATOR SMITH: Thank you. [LB829]

LEE TODD: Lived in Lincoln for a number of years, grew up on a farm and ranch in northern Nebraska. I have all three types of real estate: I have ag, I have commercial, I have residential.



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I've been studying this problem for 35. I don't have but three minutes. I do have some solutions and there are some numbers that will make a difference. If you want to ask the question, we can talk about that. They're part of the package that I'm presenting. You will hear and have heard, and this one I wanted to wait for the first five opponents to come up and I've heard it for 35 years, we can't solve this problem now, now is not the right time, yeah, we're all for property tax remediation and improvement, we need to lower them. But nobody ever comes up with a plan to solve the problem. I've watch this for 35 years. Last year--and I want to thank Senator Groene, Senator Larson, and Senator Friesen--there was a...and Senator Brasch, you had an opportunity to pass LB576 out. That didn't involve finding a solution on how to pay for it. All it was was a cap on property taxes. Where did that bill go? As far as I know it's still in committee. All we wanted to do was stop the haemorrhaging, and believe me, there is haemorrhaging. I should not have to go over this but even with the passage of this bill, Nebraska is on the second page of this as far as one of the worst...in fact, it's sixth from the bottom. There are 51 states here. The reason for that is the District of Columbia is included in this. And to Senator Harr's point, Nebraska at \$3,308 as an average tax, in Omaha you know it's higher than that. For that \$180,000 home, what is it? It's \$3,600. I think it's being disingenuous. In Lincoln it is. It's 2 percent. I'm going to pay \$3,600 on that property, that \$180,000 home. It's not \$3,308. This is being fair and if we have to convince you that there is a problem and I appreciate the comment that there...you recognize there's a problem, let's do something about it. And there are ways to pay for it. There are appropriations and we can get to that. The second thing that I thought about is, okay, let's sit down look at, do we have the ability to pay this? It's great if property taxes are going up, we generate more revenue, but you should...the metric should be can we pay for it and the metric used to pay for it is, just like in farm ground when I grew up, is how are your incomes and the third page of your handout shows that. This is some statistics that I put together. These are from the Nebraska Department of Revenue, two divisions, the Property Tax Division and the Income Tax Division. On the extreme are the increases in property taxes from 2006 to 2014. They are massive: 44 percent Senator Erdman pointed out, now that's jumped up to 56 percent. Look what revenues have done by families who are paying and trying to afford these houses. Folks, we've got a doctor out there. He's looking at his patient and they're bleeding, they're comatose on the table, and the situation's getting worse and we want to say, well, wait another 35 years to fix the problem. My gosh. And I want to give you one bit of anecdotal information. I teach how to do what I do. I grew up. I had a backpack when I got out of Africa in my service over there; that's

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all I had. My real estate that I had developed...I'm sorry, President Obama, nobody built that for me. I built it myself. And I show other people how to do exactly what idea. I'm going to show on here, we don't have time, but at the very bottom this was a property that worked ten years ago. It will not work now. The reason it will not work down is you look at the very bottom number and you see what's happening there and you take out the property taxes and this property will no longer work. Now if you want to know how to pay for it, I've got some ideas. I need to yield my time. The red light is on and I can speak no longer without a question. [LB829]

SENATOR SMITH: Thank you, Mr. Todd. Do we have questions from the committee? I see no questions, Mr. Todd. Thank you for being here and for testifying. Next proponent, proponent of LB829. Welcome. [LB829]

LYNN FISHER: Thank you. Mr. Chairman, and members of the committee, my name is Lynn Fisher, Lynn Fisher, and I am a small real estate investor here in Lincoln. We also actually own some property in York County. And don't want a repeat what everybody else has said, but to answer a question I think that you had, Senator Brasch, let's just imagine that LB829 does pass. And by the way, I'm an opponent because other proposals that I've heard, particularly the one that the Governor is touting would eliminate basically all my commercial property. So I would be left out of the solution with that particular proposal. So LB829 is the one that I'm for because I want to be able to do the things that I'll propose. So if it passes and I get the relief on property taxes, and we pay around \$90,000 a year in property taxes, so if I take that \$30,000 I will give some raises to my employees. I'll reinvest in some of my properties that I've had to forgo, some of those repairs that have been necessary but I've been unable to afford because of the high cost that I incur in all my expenses, including the property taxes. And I will do my best to keep from raising taxes any more on my clients, my fixed-income tenants. And we only rent to...we don't have expensive apartments. My average apartment rents about \$500. So most of my clients are on fixed income or they're folks that don't make a lot of money and I would like to be able to stop raising their rent. And that would help me to serve them better. I could reinvest in my properties and I could give some raises to my employees who well deserve it. And, you know, I'm happy to compete in the open market, but it's difficult for us when the government keeps raising our expenses. And that's my money. I mean that's my client's money, my employees money, and my money that we're giving to you and the state...well, through the county, through

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the property taxes. And that's really money that ought to be kept in our account so that we can do a better job of serving our customers and hopefully someday I might own some of my properties when I get done paying the bank. Questions? [LB829]

SENATOR SMITH: Thank you, Mr. Fisher, for your testimony. Senator Friesen. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Fisher, can you give me a little bit of examples of how much your property taxes have gone up in the last five or ten years. [LB829]

LYNN FISHER: You know, I didn't look at the exact numbers. I know that each year we look at our expenses as a total and interest rates have been thankfully stable, but... [LB829]

SENATOR FRIESEN: Most your property located in Lincoln? [LB829]

LYNN FISHER: Yes. Yeah, 90 percent. [LB829]

SENATOR FRIESEN: How do we combat the fact that when they...when city government maybe spends their regular revenue foolishly, you might say, and then they ask the citizens to increase their taxes, increase their levies in order by fire trucks, things like that? I mean obviously the citizens sometimes approve those tax increases. [LB829]

LYNN FISHER: Yeah. Right. [LB829]

SENATOR FRIESEN: How do you say we address that? [LB829]

LYNN FISHER: Well, again, it's finding the right priorities. I mean public safety of course we support. Public education, you know, we're all for that within the bounds of efficiencies that everybody should live within. But things like...you know, in Lincoln we've got a lot of public art. We've got a lot of things that...the bike path of going down next to the Capitol over here is a complete waste of \$3 million. And another thing in the city of Lincoln that really has been a problem and possibly one of the one of the small solutions or an example one of the solutions to your question earlier, Senator Brasch, the Lincoln Housing Authority has nearly \$1 million

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worth of property that they rent to people that are not on any kind of subsidy or housing assistance that they don't pay any property tax on. And that's true in all the housing authorities around the state of Nebraska, so there's just one small example. [LB829]

SENATOR FRIESEN: And do you feel the state and be more involved in the local government, I guess? [LB829]

LYNN FISHER: No, I wouldn't say that. But I think in terms of education that's one area where they should because that's a constitutional mandate. [LB829]

SENATOR FRIESEN: I'll agree with that. Thank you, Mr. Fisher. [LB829]

LYNN FISHER: Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Fisher, for your testimony. Next proponent please. Welcome. [LB829]

JEFF METZ: Hi there. My name is Jeff Metz, J-e-f-f M-e-t-z, and I'm from Morrill County. I farm and ranch there. It's about 400 miles to the west from here, so several of us drove down today. It's my pleasure to be here and thanks for doing this. I'm a dryland wheat farmer and have a cow-calf operation and I fully support LB829. Property taxes in Nebraska are much too high and have been for years. Taxes are especially burdensome on ag land. For example, I have grassland in Morrill County that has increased 450 percent in value in ten years, 600 percent higher taxes paid in ten years--600 percent. What used to cost me 13 years ago 71 cents an acre now costs me \$5.31. It costs me \$125 a cow for six months' grazing. This is crazy and has been. You guys have to fix this problem. This isn't a local valuation problem. As I stated before, I'm a county commissioner. I understand protest valuation hearings. I'd invited you to come to July in Morrill County...Bridgeport is our county seat. Come and sit in and help me explain to these folks why their property taxes are so darn high. It's tough. This bill is the answer. It gives enough back...it promotes our agriculture sector which we desperately need. Nebraska has to contribute more to education. The state has to pay more to our school districts, especially in my area. Rural

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Nebraska needs help funding education. We can't do it. We're at the caps. We're at the limits. We're next to done. With that, I'll close. I'll take any questions, please. [LB829]

SENATOR SMITH: Thank you, Mr. Metz. Senator Friesen. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Metz. You I think hit the nail on the head when you talked about school funding. In your area, of your schools is there any more consolidation left to be done? [LB829]

JEFF METZ: There is no talk of it right now. There could be, but it would have to be a forced consolidation and I don't know that there's a lot of savings there. It needs to be done. I'm in favor of it. But there's no talk of it right now. [LB829]

SENATOR FRIESEN: But it isn't probably enough consolidation left to be done that it will solve this problem. [LB829]

JEFF METZ: No. There has been several schools in other counties that have consolidated. Morrill County, we've only got two districts there and... [LB829]

SENATOR FRIESEN: Do you know what your school levy is in your area? [LB829]

JEFF METZ: You bet. \$1.149. [LB829]

SENATOR FRIESEN: \$1.14. [LB829]

JEFF METZ: That's with a bond. [LB829]

SENATOR FRIESEN: How much state aid do you get in equalization aid? [LB829]

JEFF METZ: Forty thousand (dollars) a year in that district, \$40,000. Six years ago, the state aid, the equalization aid was at \$3.3 million. Today, \$40,000. [LB829]

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SENATOR FRIESEN: Thank you, Mr. Metz. [LB829]

JEFF METZ: That's a lot of property taxes to be made up. [LB829]

SENATOR FRIESEN: Yes. [LB829]

SENATOR SMITH: Senator Brasch. [LB829]

SENATOR BRASCH: Thank you, Chairman Smith, and thank you, Mr. Metz, for coming forward. I'm starting to recall another hearing here where I think it's been two or more years where we proposed, or the Governor's plan was to reduce spending. And we had numbers for the NRDs, for the municipalities, for you name it, we're going to cut you back. And they all came here, lines of them. We filled the room. The municipalities said if you do this to us it's the end of West Point, Nebraska. It's the end of this town, that town, the colleges. You know, we challenged them on their growth of spending. So we're going to mandate now...you know, we couldn't do it the nice way so now we'll do it the hard way. And then what if these towns really do start drying up, then what happens, because I don't think they're a bunch of liars that came in here. But they were saying the cuts that we were going to put on the table was going to hurt small communities. And you're saying that there will be no pain. I agree about ag land. We're farmers too. I hear you. We're in more than a world of hurt. That's an understatement. But again, and I asked each one. So if we can't cut you back 3 percent, how much can we cut you back? Nobody wanted to answer. I mean we could pull up that transcript. Nobody had an answer of how much do you need to spend. Is it 10 percent? Is it 2 percent? So you tell me how much we're going to cut everybody back and then we will make it law and then see what happens to Morrill and all the other towns. And I won't be here so it'll be an interesting either success or fallout. [LB829]

JEFF METZ: This bill I don't believe has anything to do with education or where we're going to find the funding. In my county, we could take a 30 percent decrease in a budget and not even not even bat an eye. School districts, there's a lot of fluff in every budget. And I assume there's a lot of fluff in the state's budget. Everybody needs a little skin is game. If it's mandated to cut spending, that's fine with me. I think we are ruining our number one industry, which is

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agriculture, in this state by overtaxing it. People are leaving or selling out, forced to leave, banks are foreclosing and property tax is the number one issue. [LB829]

SENATOR BRASCH: I...no argument from me here. Again, my complete plan is...I don't know, maybe it...I like to know what I'm going into. I don't like to walk into a room with the lights off and be surprised. So I know once we do this I say we at least have a direction of where we're going. Thank you for your testimony and I understand what you're saying. [LB829]

JEFF METZ: Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for driving all the way. That's a long drive. [LB829]

JEFF METZ: Certainly. [LB829]

SENATOR SCHUMACHER: Do you in your neck of the woods have the same problem that we've heard time and time again from...at these various hearings that...we know that the property taxes are set as a result of the local board action, local budgets, local levy requests that use...the county board has got to sit there and set that levy and take the flack. Do you have the same problem that we have in your local government, that everybody seems to have at least an in our neck of the woods here, that people don't show up at those local board meetings and start calling the budget-setters' decisions into question? [LB829]

JEFF METZ: I have been through these school board budgets at both of our school board district...school districts. Nobody shows up. At our county budget hearings nobody shows up. But I can tell you a responsible board, and I believe that Morrill County has a responsible county board, when values go up you lower your mill levy because you don't need as much. School districts don't do it. NRDs don't do it. ESUs don't do it. Community colleges don't do it. We did it. I think everybody can do it or should have done. But it didn't happen. [LB829]

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SENATOR SCHUMACHER: Unfortunately, it didn't and then property taxes went up. [LB829]

JEFF METZ: Certainly. [LB829]

SENATOR SCHUMACHER: And now folks are filling rooms in Lincoln, driving 40 miles to talk about property taxes. And here we've had...I don't think anybody could accuse Governor Johanns of being a big spender or Governor Heineman of being a big spender or Governor Ricketts of being a big spender. In fact, they have been pretty big cutters. So that's I think some of the frustration that I'm hearing from Senator Brasch here. You know, how do we make this work? [LB829]

JEFF METZ: (Laugh) Well,... [LB829]

SENATOR SCHUMACHER: I'm glad you're smiling. [LB829]

JEFF METZ: If I had to fix it, which...is that your questions? [LB829]

SENATOR SCHUMACHER: Yeah, I mean we're here for answers, not... [LB829]

JEFF METZ: We need \$1 billion taken off everybody's property taxes, \$1 billion. I would raise sales tax 3 percent and make it up. [LB829]

SENATOR SCHUMACHER: Okay. I'll write that down and highlight it on my list of suggestions: 3 percent sales tax. [LB829]

JEFF METZ: We need to broaden the base of who's paying for education. I'm paying 74 percent in my district; 74 percent of my property tax check goes to education. More people need to pay the bill. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

SENATOR SMITH: Senator Groene, then Senator Harr. [LB829]



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SENATOR GROENE: Thank you, Chairman. You're a county commissioner, is that right?  
[LB829]

JEFF METZ: Correct. [LB829]

SENATOR GROENE: You said nobody shows up at your budget hearing. How many show up to protest their taxes? [LB829]

JEFF METZ: It varies. That's why I'd like you guys to come and visit. But we'll have 40 to 70 protests. [LB829]

SENATOR GROENE: How many people live in your county? [LB829]

JEFF METZ: 4,500. [LB829]

SENATOR GROENE: All right. So it's a pretty good chunk of property that gets protested. When you decide to replace a culvert or a bridge, can you decide what's best for your area or does the state put a mandate on you what culvert you have to put in? [LB829]

JEFF METZ: We just went through this process. You have to go through the Army Corps of Engineers, get a permit. And then you have the highway department...Department of Roads also issues you a permit before you can even start on it. But we are replacing bridges, concrete decks, with culverts right now, big one. [LB829]

SENATOR GROENE: And that's been a recent change, hasn't it? [LB829]

JEFF METZ: Yes. [LB829]

SENATOR GROENE: Yes. And that's been through Governor Ricketts and the new... [LB829]

JEFF METZ: Right. [LB829]

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SENATOR GROENE: But we can do more of that, too, can't we to take costs off, mandates off of local government, this body could. [LB829]

JEFF METZ: Certainly. You bet. Would appreciate them. [LB829]

SENATOR GROENE: There's other ways to lower property taxes that make a difference here. All right. Thank you. [LB829]

JEFF METZ: Thank you. [LB829]

SENATOR SMITH: Senator Harr. [LB829]

SENATOR HARR: Thank you. And thanks for driving all the way here. Some may even say you came from Colorado like they did this morning. (Laughter) [LB829]

JEFF METZ: I heard that. [LB829]

SENATOR HARR: Yeah, sorry about that. [LB829]

JEFF METZ: No, I did not. [LB829]

SENATOR HARR: Well, first of all, when I hear about these bridges I get worried about LB310 which changes how we look at bridges. But I have a question because you're a county board member and I'm sure you thought your county ran pretty lean. I'm a state senator. I think the state runs pretty lean. And any entity that you're involved in you think you're running lean. It's the other guy; that's the problem. And I don't think there is another guy to push anymore. I don't know where there is this fat that we can make up a billion dollars. Now maybe a 3 percent sales tax, maybe we broaden the sales tax like you said. And so that leads me to the question of, if we're all going to make a little sacrifice, what type of sacrifice would you ask, as we broaden the base, to take? [LB829]

JEFF METZ: We have made the sacrifice. [LB829]

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SENATOR HARR: Well... [LB829]

JEFF METZ: We are at the brunt of the storm. We'll all in. [LB829]

SENATOR HARR: Okay. [LB829]

JEFF METZ: I'm done giving sacrifices. [LB829]

SENATOR HARR: So I look at some of the tax exemptions available to ag as we broaden the base, right, to take it off of property taxes and we'll put it on sales tax. So I have some sales tax exemptions. Agricultural machinery and equipment parts and repair, recently done, that's \$75 million; ag chemicals, that's \$140 million in sales tax exemption; ag seed, \$64.5 million; livestock for consumption and apparel, that's \$664 million. And list goes on. I can go through the whole list and I guess my question is...and I'm not saying that any of them are wrong, if we're going to broaden the base, what a sales tax exemption...it kind of goes back to government. I run my government lean. You run your government lean. And we need to broaden the base. We need to get rid of sales tax. We in ag are okay with our sales tax exemption. It's the business community. Business community will say we're okay with our exemptions. We're not overly (inaudible). So what are we going to broaden the base with? What exemptions do we get rid of? [LB829]

JEFF METZ: None for ag. [LB829]

SENATOR HARR: None for ag. [LB829]

JEFF METZ: None for ag. [LB829]

SENATOR HARR: Perfect. [LB829]

JEFF METZ: I mean we are paying the bill right now. [LB829]

SENATOR HARR: All right. Thank you very much. That's what I wanted to hear. [LB829]

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SENATOR SMITH: And, Mr. Metz, just kind of clarification. You threw a solution out to Senator Schumacher and you talked about increasing the sales tax. You didn't mention eliminating any exemptions or...that wasn't part of your solution though, right, or broadening the base as they say? [LB829]

JEFF METZ: More people have to pay you to fund education. [LB829]

SENATOR SMITH: You just mentioned increasing the total amount of percent. [LB829]

JEFF METZ: If that would include some widening of who pays, yes. [LB829]

SENATOR SMITH: Okay, I just want to get...make certain that was clarified. [LB829]

SENATOR HARR: So you didn't think we should broaden the base? Keep the sales tax exemptions that we have right now? [LB829]

JEFF METZ: I don't have the answer, you guys. I'm just...you asked...Senator asked what I would do. That's what I'd do. [LB829]

SENATOR SMITH: Okay, thank you. Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman. And just quickly because we're running short on time, in response I think it was Senator Groene, you said get rid of some of the mandates. Don't have time to talk to talk about all of them. What's the top one we should get rid of? [LB829]

JEFF METZ: For counties? [LB829]

SENATOR SCHUMACHER: Yeah, I mean (inaudible). [LB829]

JEFF METZ: Reimburse our jail. [LB829]

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SENATOR SCHUMACHER: For...that's for county? [LB829]

JEFF METZ: Inmates. [LB829]

SENATOR SCHUMACHER: Inmate, reimburse jail. [LB829]

JEFF METZ: You bet. [LB829]

SENATOR SCHUMACHER: Okay, thank you. [LB829]

SENATOR SMITH: Further questions from Mr. Metz? I see none. [LB829]

JEFF METZ: Thank you. [LB829]

SENATOR SMITH: Thank you for coming and testifying. Safe travels home. All right. Moving on to next proponent of LB829. Welcome. [LB829]

JEFF UHLIR: (Exhibit 9) Thank you. My name is Jeff Uhlir, J-e-f-f U-h-l-i-r. I'm from Knox County, Nebraska. We've been on the family farm since 1870. Our tax base in the handout I'm handing out has grown 300 percent in the last ten years. Our commodities which I sell to pay my property taxes has not grown 25 percent. I lost \$4,000 last year. Commodity prices are down, land prices are down. My taxes went up. And I love the analogy that I always use with pickup. If I'm a farmer and you're a banker or a doctor and I buy a pickup and I'm frugal, I shop around, I save \$5,000 off the sticker price of that pickup, you'd need the write-off. You spend \$10,000 more than I do. When you go to license the pickup, you pay the taxes. Should you pay taxes based on what I paid for my pickup or what you paid for your pickup. You know, ag land is the only you're paying taxes based on somebody else's pocketbook. In my area we got a lot of our recreation ground. So we're being driven prices over them. And we just simply can't afford to stay out there for much longer if things don't change. Talked about schools a little bit, we belong to the Unified District Number 1. We have three schools. We have...we're teaching six...three teachers to teach six kids apiece in first grade, six kids apiece in second grade, three principals, three high school, three elementaries, three gyms, three football fields, three principals. It's not

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cost-effective. (Laugh) You know, I used to work for Department of Roads. I know there's a little fat on that bone too. I seen the spending that they did. I remember when diesel fuel was at the highest it was, we had 16 dump trucks hauling sand 35 miles for shoulder material, running two motor graders and a tractor with a packer, which anybody that knows anything about dirt, you can't pack sand. The first windy day, I'm sure it blew all the sand out of the ditch. (Laugh) But, you know, we did things that didn't make sense. On the farm we don't...we can't...we're not in charge of what we sell our commodities for. There's too many people with their hand in the cookie jar before we make any money. And our price...our ag...land has nothing to do with what we produce. I mean how can we afford to keep going? On a good year, my best year I get 180 bushel acres...180 bushels to the acre on corn and one out of eight years, this year I got 68 bushels. And bag of seed corn cost me the same as a guy that gets 300 bushel to the acre. Now you might say, well, sell it and move to Iowa. My family has been there since 1870. If you don't like your tax base and you've got a own a bar, you can move your bar to a tax base you like. You can't move the farm. I want to pass it on to my kids. And I got a red light. [LB829]

SENATOR SMITH: Let's see if we have a question here. Senator Friesen. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. Looking in the information you handed me, I'm looking at your tax increase and you made a statement that your land values have increased kind of unproportionately compared to what your ability to earn off of that and it's driven by other factors. Could you talk a little more about what has driven up those land prices? [LB829]

JEFF UHLIR: We have a lot of recreation ground. And by recreation ground, I mean we have people that they have a business elsewhere. They make their money at that business. We got pretty good deer hunting and pretty good fishing where I live. So we're pretty populated county ten days a year during rifle season of deer. The rest of time there's 8,500 people in my whole county. Most of the population is on the east half of my county and I live on the west half. But we've got the Niobrara River and Missouri River that flow through our county. And as you can imagine, the northeast portion of Knox County is beautiful. It's a great place to buy land and put up a great, big house. Right across the road from my property there's a triple-wide modular home with a full, ten-foot wall basement under it, a two-car garage, and they just put up a 40-by-60 shop. They didn't want the people building it to drive on the concrete because they didn't want

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rubber marks on the concrete. And they're there about four weekends a year. And I don't know what the valuation of that is, but that's across the road from me. [LB829]

SENATOR FRIESEN: You're getting a lot of people moving there, just to come there buying land for hunting and recreation. [LB829]

JEFF UHLIR: Recreation, yeah. [LB829]

SENATOR FRIESEN: And it's not based on their ability to... [LB829]

JEFF UHLIR: They're not farming it. [LB829]

SENATOR FRIESEN: ...earn off that land. [LB829]

JEFF UHLIR: Yeah, they're not farming. And certainly they probably get a...they get the loophole of the write-off probably for buying it and probably for overpaying for it. But when you're across the road from it, you can't...and our assessor does have the right to throw out the high number and throw out the low number. Ours don't do that, I believe, to the levels that they should. And then actually our oversight committee is our county board. They're supposed to oversight...every board in that county go through the budget when they're submitted for the town, for the schools. I ask them, I said well do you guys go through the budget? And they said, no, we just approve them when they come in. So we have no oversight committee. [LB829]

SENATOR FRIESEN: Okay. Thank you, Mr. Uhlir. [LB829]

SENATOR SMITH: Senator Brasch, then Senator Harr. [LB829]

SENATOR BRASCH: Thank you, Chairman Smith, and thank you for coming forward. Is this your tax return here or your property tax? [LB829]

JEFF UHLIR: That's me, dear. Yep. (Laugh) [LB829]

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SENATOR BRASCH: And from Verdigre. [LB829]

JEFF UHLIR: Yeah, the Bohemian Alps. [LB829]

SENATOR BRASCH: It's beautiful. I've been there. I know the Frame (phonetic) family quite well. And I'm curious. That's a long drive too. [LB829]

JEFF UHLIR: Yeah. [LB829]

SENATOR BRASCH: And are you here, you just read the paper...I'm glad you're here. But what brought you here? Is there a group? Are you part of the group? [LB829]

JEFF UHLIR: No, well, I'm a Farm Bureau member. I'm on the Knox County Farm Bureau board. [LB829]

SENATOR BRASCH: Okay. [LB829]

JEFF UHLIR: But I feel this is...I mean this is my livelihood. I mean my valuation has gone up 300 percent and I'm not in control of the commodities I sell. And our commodity prices the last ten years, though my valuations went up 300 percent, haven't grown 25 percent and actually have that in here as well, but I didn't photocopy that. [LB829]

SENATOR BRASCH: Okay. [LB829]

JEFF UHLIR: But, yeah, this is my livelihood. It's been in our name since 1870. It's an urgency. [LB829]

SENATOR BRASCH: Our family is fifth generation farming. So I do understand. My concern though, like you mentioned the Department of Roads. [LB829]

JEFF UHLIR: Yeah, I have worked for the Department of Roads. [LB829]



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SENATOR BRASCH: Okay, so we can grow our grains but how are we going to take them to market? How are we going to get our trucks...if we eliminated our roads... [LB829]

JEFF UHLIR: Oh, I didn't say about eliminating roads. I said we were hauling sand for shoulder material. So you know when you drive off the edge of the road there's a step, the sand is what they're used to bring that shoulder back up to edge of the road. And sand, you can take black dirt on a windy day and throw it up and it's probably going to hit you in the head and sand probably won't. It's going to blow away. [LB829]

SENATOR BRASCH: And again, I empathize. I live it every single day. The burden is on my shoulders. But my other burden that I told people before is agriculture seems to draw the short straw somehow at end of the day. And when my good friend colleague here Senator Harr said what are you willing to give up on, is that exemptions on farm repair, is it this? We're going to give something up. Not by our choice but because... [LB829]

JEFF UHLIR: My valuations have grown 300 percent in ten years. [LB829]

SENATOR BRASCH: Okay. [LB829]

JEFF UHLIR: I have given you blood, sweat, and tears. I worked last year and never made a dollar. I lost \$4,000. [LB829]

SENATOR HARR: You should be a state senator. [LB829]

JEFF UHLIR: What more do you want me to give up? (Laugh) And sales tax was set up initially to help property taxes. So what percentage of sales tax does help the property tax? Do we have that number? [LB829]

SENATOR BRASCH: And back to I just truly believe before I could support this I need to see what I'm going to give up as a farmer, because we're outnumbered. We're outnumbered totally. [LB829]

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JEFF UHLIR: Right. You know, I have two cousins that live in the city. They have a \$350,000 house. They make six figures a year. They get a \$5,000-\$10,000 raise a year. And their property tax...I mean what their income is...the only difference is within the town is where my house is it's where I work. You know, so my cousins actually get the raise. Their valuation isn't going to go up as fast as mine will. [LB829]

SENATOR BRASCH: But, Mr. is it...? [LB829]

JEFF UHLIR: Uhlir. [LB829]

SENATOR BRASCH: Uhlir, okay. I would...and I'm...we're Farm Bureau members too. But at another hearing we just learned that there's fewer farmers that are Farm Bureau members than those who live off the farm. And my concern is there's going to be some skin coming from somewhere on this if we go into it in the dark and just say the next Legislature, I doubt that they'll walk on water, sir. [LB829]

JEFF UHLIR: Well, we can always hope. [LB829]

SENATOR BRASCH: Yeah, but this is where please come forward. You drove a long ways. [LB829]

JEFF UHLIR: I do have a few ideas I guess. And certainly...and like I said, the sales tax was initially set up to help in property tax relief. I'd be curious to where that money's being spent being that's what it was allocated for when the sales tax was set up in the first place, not that that bridges anything but that's a question I have. You know, certainly none of you guys come help me fix fence. [LB829]

SENATOR BRASCH: I have to do it at home. (Inaudible.) [LB829]

JEFF UHLIR: Right, but I mean to help...I mean, you know, we're putting the faith in our elected officials to come up with a solution. And granted, you guys got a challenge ahead of you. I ain't saying you don't. But, you know, I mean the other states around us, we're the third highest taxed

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state in agriculture. There's a lot of people invented the wheel. Why don't we look across state lines and see what some of them are doing for ideas? [LB829]

SENATOR BRASCH: And I introduced that last session. It's still... [LB829]

JEFF UHLIR: Yeah, well...but that's...to say we're the third highest taxed state in agriculture and the ninth highest taxed state overall, there's a lot of people doing it better, folks. [LB829]

SENATOR BRASCH: I have no other questions. [LB829]

JEFF UHLIR: But I would like to say I'm a...I promote...I am for the flat tax. I believe that there would be an influx of money. I don't exactly know all the ins and outs of that. That takes somebody smarter than me. But you pay your taxes throughout the year, you know. And then certainly was with...I had some other ideas and I'm not really good at sitting in front of a big group, folks, so I apologize. I can't think of it right now. [LB829]

SENATOR BRASCH: You're doing a great job. I don't have any more questions. Thank you so much. [LB829]

JEFF UHLIR: Thank you very much. [LB829]

SENATOR SMITH: Senator Harr. [LB829]

SENATOR HARR: Thank you, Chairman Smith. Thank you, Mr. Uhlir, for coming down here. What I'm going to tell you you're probably not going to like. [LB829]

JEFF UHLIR: I'm used to that. (Laugh) [LB829]

SENATOR HARR: I shot my first turkey in Cedar County, right next door, and I am one of those...well, I'll call myself a dirtball, that come up there. And I love the rec land and maybe when I'm out of here and I make a little money I'm going to be up there buying hopefully rec land one day myself. So I know the area. I enjoy the area. I spend money when I go up there. I

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go to Crofton. I go to Walt's (phonetic). We have a house. We have a great time there. Hartington Country Club actually has a really good...has good bands up there. We'll go up there and see bands. So...and obviously I go to the lake and do some fishing there as well, much less successful than that. And so I guess my point is I hear constantly, oh, we come to Omaha and we spend all this money and what are you getting back? Well, I want you know that we do go out, especially your area, in that rec land. You look at it as a liability; I look at it as an asset and it's something I want to invest in. So I just wanted to give you that perspective. And that does help. I think it does help the sales tax base because I do spend money up there. So I would also ask you have...because Senator Groene would be upset if I didn't ask you this. You have windmills up there, don't you? [LB829]

JEFF UHLIR: I don't on my place. [LB829]

SENATOR HARR: But up in... [LB829]

JEFF UHLIR: Yeah, there's... [LB829]

SENATOR HARR: In your county. [LB829]

JEFF UHLIR: Find a county without a windmill. [LB829]

SENATOR HARR: Yeah, in Knox County. But there's a large project in Knox County. [LB829]

JEFF UHLIR: Two of them. [LB829]

SENATOR HARR: Yeah. And they pay sales tax, don't they? [LB829]

JEFF UHLIR: Yes. [LB829]

SENATOR HARR: Okay. And they've helped lower the property taxes on everyone else because they're...they pay a higher sales tax base than ag. [LB829]

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JEFF UHLIR: Yeah, in that township. They way our assessor does it...and I'm not in that township. That's on the eastern part of Knox County where on dryland you can get 300-bushel corn and I get 180 one out of eight years. So, yeah, it helps eastern Knox County with the higher yields. [LB829]

SENATOR HARR: Okay. Thank you. I appreciate that. [LB829]

JEFF UHLIR: But as far as coming and buying land out by us, if I'm farming and you can pencil the soil out there, you know what it's going to grow. What could you pencil soil for farming versus soil for hunting? It's going to be worth more you to hunt it than I can pencil it farming at what my property taxes are going up every year. So you're a liability to me. You're absolutely right, because I'm competing to buy and you're not a farmer. I am. You're doing something else, making your money somewhere else. And I can't buy land to expand my business because you're going to be there ten days a year to hunt. [LB829]

SENATOR HARR: Right, well, first of all, it goes back to my statement yesterday: Shells are the cheapest part of the hunt. But it depends on how I farm it, right, what I grow on it. If I'm growing stuff to attract sorghum...you know, it depends on how I use it. If I rent it out but I want to hunt it,... [LB829]

JEFF UHLIR: Plant it into CRP, most of the guys. [LB829]

SENATOR HARR: But I'm taking away from supply so I'm helping you. [LB829]

JEFF UHLIR: Yeah, but area isn't the high yield. If my whole area didn't grow nothing it wouldn't affect the stock market. I'm just trying to survive out there. [LB829]

SENATOR HARR: Well, I appreciate you coming down here. [LB829]

JEFF UHLIR: And I appreciate your comments too. Thank you guys for doing this. [LB829]

SENATOR SMITH: Senator Groene has a question for you. [LB829]

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SENATOR GROENE: I just wanted to help you answer your question where the sales tax went. In 20 years, the university went from \$371 million to \$625 million in state aid. Medicaid went from \$277 million to \$844 million. TEEOSA went from \$454 million to \$970 million. I could go on and on. Because it went there, the state shifted burden of public education to you. [LB829]

JEFF UHLIR: Yeah. [LB829]

SENATOR GROENE: That's what happened here. It's just that simple. I thought I'd answer your question for you. Thank you. [LB829]

JEFF UHLIR: Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Uhlir, for your testimony today. Thanks for coming down. Safe travels home. [LB829]

JEFF UHLIR: Thanks you guys for your time. And remember, we need help. [LB829]

SENATOR SMITH: All right. We're going to cut over to opponents. Welcome. [LB829]

NICOLE FOX: (Exhibit 10) Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I'm the director of government relations for the Platte Institute. I'm here today to testify in opposition of this bill. The Platte Institute believes something must be done and we do appreciate Senator Erdman and his supporters of this bill for their clarity of how much property tax relief they are seeking. This proposal would have the state to pick up roughly 30 percent of the property taxes we pay. That may not be of interest to many groups in opposition, but it does create the basis for an honest discussion of what we all want out of state tax reform. The Tax Foundation ranks Nebraska as having the 7th highest property tax rates in the country and the 12th highest when measured on a per capita basis. Clearly the state needs a solution and the Platte Institute supports a path forward to reducing them but not at the expense of raising other taxes that would harm the state's economic growth. The reason this plan exists and may become a ballot initiative, is because many Nebraskans want significant property tax relief and they feel that they have been taken for

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granted as taxpayers. We are concerned about the impact of rising state taxes on Nebraska's economic growth, which could be a consequence of this bill. If it were adopted, LB829 would leave the hardest work of tax reform unfinished, which is deciding who is going to pay the additional taxes necessary to fund these credits, plus what the state spends now. Simply offering a credit for property taxes paid does not solve the underlying problem of local government spending. Unfortunately, this state is too deeply divided and factionalized on the issue of how taxes should be paid to figure that out right now, particularly in our current budget situation. From the committee level, to the floor of the Legislature, to the Governor's desk, there are far too many barriers in the way of reaching a consensus on which current tax expenditures would be eliminated, or which spending cuts would be made, even if 33 senators agreed that this tax credit, as designed, was a good idea. Besides LB829 being costly now, there is nothing in this bill capping its future costs. Any school district would be foolish not to levy a \$1.05 property tax levy if they can get away with it, because half would be paid back to their voters by the state, no matter how high valuations go. In addition, this bill does nothing to address the high tax burden on those that do not own property. According to the Tax Foundation, Nebraska has the 15th highest income tax rate in the nation and one of the highest in the region. Unfortunately, we can't just pay people 50 percent of what they pay in school district property taxes without either making major cuts to the budget or enacting very large sales tax increases. The Platte Institute believes the state needs to address the property tax burden and we've got to hear from the people testifying in support of this plan. But this bill is not the answer. It would be a shame to replace the property tax with high income taxes and other state taxes that are detrimental to economic growth. And with that, I conclude my testimony and I'm happy to take any questions. [LB829]

SENATOR SMITH: Thank you, Ms. Fox. Senator Groene. [LB829]

SENATOR GROENE: If I were still on the board you probably wouldn't be here. But anyway, I helped start the Platte Institute. Question: Does the Platte institute believe that when you cut taxes you spur economic growth which would bring more other taxes in? [LB829]

NICOLE FOX: We do... [LB829]

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SENATOR GROENE: This bill does not raise income taxes or sales taxes; it cuts taxes, just like Trump's tax did. So don't tell me about tax increases. It does not have it in it. As the bill sits, it cuts taxes. Would those tax cuts spur economic growth? [LB829]

NICOLE FOX: Well, Senator Groene, we don't believe that this bill actually provides tax relief because the question is, how are we going to pay for it? And our concern is... [LB829]

SENATOR GROENE: That wasn't the question I asked you. [LB829]

NICOLE FOX: ...is we will have to raise...our concern is that we will have to raise taxes to pay for it. [LB829]

SENATOR GROENE: Did you come out against the Trump tax cuts? You weren't concerned about that, were you? [LB829]

NICOLE FOX: Are you asking me personally or are you asking as the Platte...? [LB829]

SENATOR GROENE: No, the Platte Institute, did it come out against, take a position on the Trump tax cuts? [LB829]

NICOLE FOX: Well, the Trump tax cuts were income tax cuts. [LB829]

SENATOR GROENE: Oh, that's different. A tax cut for property is different than an income tax cut? [LB829]

NICOLE FOX: Well, with the property tax we have to find a way to pay for it, yes, because... [LB829]

SENATOR GROENE: It depends who you are and where your income comes from. [LB829]

NICOLE FOX: ...if we aren't generating more revenue or decreasing our spending, then it has to be paid for somehow. [LB829]



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SENATOR GROENE: So you don't think there would be any economic growth with the spur of people getting half...a pretty good chunk of money back, an average homeowner getting \$1,500 credit back in April and May, you don't think there would be any economic growth, that this would be a stagnant...? [LB829]

NICOLE FOX: I don't...I don't know that that would incentivize people to move to our state because they get a 50 percent tax credit, because again, the tax bill is still high and there's nothing that's saying their property taxes won't be increased. [LB829]

SENATOR GROENE: So if you're a retired person and your income has dropped to \$50,000 and you were making \$150,000 and you got a house that you're living in that you bought for \$150,000, now it's valued at \$300,000, you don't think when they file their taxes that they would get a \$2,000 cut on maybe that they're paying \$1,000, \$1,200 state income taxes, that it would eliminate their income tax bill plus give them a credit, would not spur them to stay in the state of Nebraska, because they're not going to get an income tax increase because their income is stagnant at a very low rate. [LB829]

NICOLE FOX: But again, I think what we have to figure out is how we're going to pay for this. I mean that's... [LB829]

SENATOR GROENE: I just...do you believe if...with growth, without this there's an expected \$304 million by the Fiscal Office growth in revenues that first year that the law goes into effect. We got \$240 million in property tax credit that...we've got \$72 million in homestead exemptions that wouldn't be needed anymore. We're over \$600 million right there. [LB829]

NICOLE FOX: Well, I think currently we have a \$200 million revenue shortfall, so I guess I'm not following. [LB829]

SENATOR GROENE: Just sad to hear an economic think tank would not think tax cuts would spur an economy. [LB829]

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NICOLE FOX: Well, we feel that there are other types of tax cuts that would spur economic growth. No, we don't think that is something... [LB829]

SENATOR GROENE: Income taxes for the rich guy cuts would do it. [LB829]

NICOLE FOX: Income taxes for all Nebraskans. [LB829]

SENATOR GROENE: If you made over \$50,000 and got into the 6.84 percent bracket. Thank you. [LB829]

SENATOR SMITH: All right. I see no further question, Ms. Fox. Thank you for your testimony. Next opponent of LB829. Welcome. [LB829]

ANN HUNTER-PIRTLE: (Exhibit 11) Good afternoon, Chairman Smith, members of Revenue Committee. My name is Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r-P-i-r-t-l-e. I'm the executive director of Stand for Schools, an organization dedicated to advancing public education in Nebraska. I had a nice conversation earlier with the last proponent actually who noted that he supports public schools. And we know that most producers do. We agree there's an overreliance on property taxes in Nebraska to fund K-12. Our state ranks 49th in the nation in state investment in K-12 forcing local property taxpayers to make up the difference. We understand the goal of this bill is to force a crisis and encourage the state to take action. But blowing a billion dollar hole in the state's budget with no plan to pay for it is a dangerous game that would devastate not only public schools but many other state services as well. In fact, we believe there's a strong possibility that this bill would produce the opposite of its intended effect. By generating a billion dollar income tax cut, LB829 could force school districts to raise property taxes even further. As it is, Nebraska has only fully funded equalized schools in 3 of the last 16 years according to the TEEOSA formula, let alone nonequalized districts. Instead of decimating schools we need to lower property taxes by investing in public education from the state level. We urge you to vote against advancing LB829. Thank you and I'm happy to take any questions. [LB829]

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SENATOR SMITH: Questions from the committee? I see none. Thank you, Ms. Hunter-Pirtle. [LB829]

ANN HUNTER-PIRTLE: Thank you. [LB829]

SENATOR SMITH: Thank you for your testimony. Next opponent. [LB829]

JINA RAGLAND: (Exhibit 12) Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Jina Ragland, J-i-n-a R-a-g-l-a-n-d. I'm here today representing AARP of Nebraska. In the essence of time and to save everyone time and efficiency, my testimony is being handed out. But I just kind of wanted to draw attention and touch base today. I think that the biggest concern that we have moving forward with this proposal is the significant budget difficulties which in turn could affect and jeopardize critical programs and services for our aging population that are currently in place and oftentimes at risk as well. Many of these programs provide our aging population the ability to remain and stay in their homes, which oftentimes we know then offsets the more significant cost in institutional care, emergency room visits, and so forth. We do understand and agree that property taxes are challenging for Nebraska and we certainly want to be at the table for any discussions to change some of those. But we just caution and want you to keep in mind that these are critical programs and services that we need to keep in place, most importantly to keep our aging population in their homes as they age. With that, I'll be happy to take any questions. [LB829]

SENATOR SMITH: Thank you, Ms. Ragland. Senator Groene. [LB829]

SENATOR GROENE: You're AARP for Nebraska? [LB829]

JINA RAGLAND: Yes. [LB829]

SENATOR GROENE: Have you ever surveyed your members about what their biggest concerns are, costs are, concerns about living in Nebraska are? [LB829]

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JINA RAGLAND: Some of the biggest costs, I would have to look at that, Senator Groene. And I apologize, I'm fairly new to this position. But I would be happy to...if you'd like to know that I could get that. I mean I know there's other issues, payday lending, not so much on this side of what you're asking specifically. [LB829]

SENATOR GROENE: So you don't...I appreciate to hear that, because when I ran for office and knocked on doors all I heard was from retired people they can't afford to stay in their house because of property taxes. If they made enough income they couldn't get the homestead exemption. That's all I heard. In fact, when a lot of them who told me they were moving, I've noticed have moved. These are people, self-sufficient people who have been self-sufficient all their lives, had jobs, middle-income people. They...just because all of a sudden they retired they need a bunch of services. They take care of themselves. They can't afford their property taxes. You realize this would really help them on a fixed income. [LB829]

JINA RAGLAND: And I agree, Senator Groene. And in return of that, also my understanding, too, is homestead exemption which is a program that's available for people 65 and older and some people with disabilities or veterans, they could potentially...they do qualify under the homestead exemption and roughly 47,000 people took advantage of that in 2016. That, too, could be a potential program that would no longer be available or could be...could go away under this proposal as well. So I completely agree and understand what you're saying. [LB829]

SENATOR GROENE: But it could be adjusted because many of those would more than make up with this tax credit than what they were getting, depending on their income level and the value of their house, what they are getting now from the homestead exemption. [LB829]

JINA RAGLAND: Correct, and I don't disagree with you. I do...you know, property taxes, income taxes, it's everywhere and we all understand it. And yes, you're right. I just think it's figuring out and making sure that the committee continues as the Legislature continues to be aware as budget cuts take place, those programs are always up there and our biggest concern is helping keep those programs that cost less in place to keep people who are independent and remaining in their homes. [LB829]

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SENATOR GROENE: Thank you. [LB829]

JINA RAGLAND: Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony today. The folks that you represent, I assume that property taxes is a concern. Health cost is a concern. They're going up. If they can't afford it, they're looking to the state for some kind of help. [LB829]

JINA RAGLAND: Correct. [LB829]

SENATOR SCHUMACHER: Probably, fuel and heat costs, automobile cost. We probably could go down, I don't have enough fingers to go through to go down, all the things that are going up in cost. And if they fall short and can't make it, they look to the state for some type of a state program. Am I correct? [LB829]

JINA RAGLAND: That's oftentimes true, Senator, yes. [LB829]

SENATOR SCHUMACHER: And the state only has two sources of revenue to fund such programs that are going to be increasing demand from baby boomers: income and sales tax. And that's the same pool of money that this bill is competing for. Have any answers? [LB829]

JINA RAGLAND: I do not, Senator, but again...and I know that's what you're looking is some solutions and such. But truly I think at this point we're just wanting to be at the table involved in those discussions because I don't have the answer, no. I don't. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

JINA RAGLAND: You're welcome. Thank you. [LB829]

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SENATOR SMITH: I see no further questions. Thank you, Ms. Ragland, for being here and for testifying. Next opponent to LB829. [LB829]

LYNN REX: (Exhibit 13) Senator Smith, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. And I appreciate the page handing out a packet for you and there's just some information I want to reference in that. While you're all getting that packet, the first thing that you're going to find in that would be the history of all the state aid cuts because there is no line item in your budget anymore for state aid to municipalities. The League of Nebraska Municipalities is in opposition to this bill simply because of the lack of funding identified in terms of how this...where would the money come from, how would this be paid for, who are the winners, who are the losers, what are the implications with the rest of the state's budget? And so with that, I know and now that you've already got the packet. If you look at the first part of your packet what you're going to find is actually a sheet that outlines the cuts to municipal aid programs. It was in 2011 with passage of LB383 that state aid to municipalities, counties, and NRDs was totally eliminated. And I want to emphasize just very quickly because I know we're under a limited time frame that state aid many people think just was extra revenue that you had. It wasn't. State aid was put in place and was the nomenclature designed by John DeCamp after the Nebraska Supreme Court three times said that what the formula was that the Nebraska Legislature put together was not constitutional because it was a frozen class. And some of you may remember when the Legislature exempted livestock, farm equipment, and business inventory and that happened...began in 1972, it was finalized in 1977 with passage of LB518. And the final three-eighths of that was exempted. Those three exemptions alone, which by the way were all valid, all necessary, some of which has then put back on the tax base, those three exemptions alone cost local governments \$250 million on day one, not in valuations, in actual revenue lost. That's extremely important because that is why there was the personal property tax relief fund put together which resulted in several aid programs down the road, which have all been eliminated for municipalities. I would like to just quickly ask you to look, I've just put the 45 pages...35 pages for you of the LR155 study in 2013. If you look on page 27 there's only two paragraphs I'm going to read to, short paragraphs, page 27, because the Legislature has three times hired tax consultants that have no dog in our fight to come in and say what should Nebraska do on sales, income, and property taxes. Page 27, the Syracuse authors, and that was in 1987 but this is being quoted in the LR155 2013 Tax

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Modernization Study, said as follows. "Syracuse authors recommended reducing the role of property taxes in financing government services. The main policy option they identified was an increase in state aid to local governments. They reported that all Nebraska local governments experienced lower levels of state revenue sharing than local governments in other states. They advised retaining existing aid programs for all governments, and supplementing these aid programs with aid based on equalizing concepts." If you turn to the very last page, and I will close with this, the very last page, page 35, item number nine, "The primary policy option for reducing property tax use recommended by the Syracuse Tax Study was increased aid to local governments, emphasizing equalization aid for local governments. This was to supplement the then existing aid programs, which had been implemented to offset loss of property tax capacity from prior exemptions granted. The recommendation was implemented in part. The preexisting aid programs which Syracuse recommended retaining have been repealed." Bottom line is the reason why Nebraska is rating as we are is when you look at other states, other state Legislatures, your predecessors all gave significant offsets when the tax base was limited. We had a tax base that was like this and it was narrowed to this. So over a period of years this has occurred and we would suggest to you that, first of all, first and foremost, it's important to identify when you're going to look at a bill like this, where all the money come from to pay for it? That's our primary opposition. But again, this Legislature has looked three times at how you address the property tax issue and perhaps that's a way to start. I'm happy to answer any questions that you might have. [LB829]

SENATOR SMITH: Thank you, Ms. Rex. And your reference was to the sales tax base. [LB829]

LYNN REX: That's correct, yes. [LB829]

SENATOR SMITH: Okay. All right. Very good. Senator Groene. [LB829]

LYNN REX: Well, excuse me, the state aid was to offset the property tax base that had been lost over a period of years. And again, the state aid per se... [LB829]

SENATOR SMITH: But in comparison to the other states. [LB829]

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LYNN REX: Oh, I'm sorry. Yes, sir. Yes. Other states use their sales and income tax to provide an offset to their local governments as those tax bases were being exempted. And the Syracuse Study, Senator, as well as the LR155 study made it very clear that surrounding states have indeed done that. [LB829]

SENATOR SMITH: Would you agree, Ms. Rex, that it becomes complicated whenever we compare to other states and they may have a broader base. But for us to get to that point we have to take away exemptions which is an increase to someone and that becomes the problem. [LB829]

LYNN REX: Other states have some advantages that we don't have. They've got a lot more people. They have a way to diversify in ways that perhaps we don't. And so clearly this is very, very complicated. I guess your point is well taken because I think that is the essence of it. And I agree with several other senators who have made comments as well. Where would the funding come from in order to fund this type of a proposal? [LB829]

SENATOR SMITH: Senator Groene has a question for you. [LB829]

SENATOR GROENE: I'll be nice to you. I only get made at people who hide behind children. But you don't get any state aid. This does not affect you at all. The state budget changing wouldn't affect you any more. The only state aid you get comes out of the fuel tax. You get a portion of the tax. It's split up. So why are you concerned about this issue? [LB829]

LYNN REX: Well... [LB829]

SENATOR GROENE: Are you hoping some time down the road you're going to get state aid again? [LB829]

LYNN REX: First of all, we have a little bit of money in still the Municipal Equalization Fund, not a lot but a little bit there. But the reason why we are concerned is because of the impact that this has on our economy. Where would you find the money to fund this? That matters and I think



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those...and by the way we're not opposing a property tax assessment and looking at what needs to be done. [LB829]

SENATOR GROENE: I got another question for you. When you do a major TIF project you're taking tax base away from the school. You're playing with property taxes. I mean it's \$70 million last year in the state of Nebraska that was taken away from budgets with TIF. Do you analyze and say how are we going to pay for this? How are we going to get money to the schools because the city decided to take a major property off the tax rolls with TIF? Do you do that or do you just think because you did that there's going to be economic growth? [LB829]

LYNN REX: There is economic growth. [LB829]

SENATOR GROENE: Oh. [LB829]

LYNN REX: And, Senator, that is shown in the TIF study. [LB829]

SENATOR GROENE: So when you take...when you give a tax exemption or you give a tax break, there's economic growth. [LB829]

LYNN REX: What I'm suggesting is that when you're looking at tax increment financing, it doesn't take any property, any dollars away, does not take property tax dollars away from schools, from any other entity. In fact, schools are the biggest beneficiary of tax increment financing because when those properties go back on the tax rolls, most of which go back within 8-10 years, not 15... [LB829]

SENATOR GROENE: So when you put a lot more employees into a community like Fremont there won't be no more public safety needs, more police, more firemen, more teachers? They got to wait 15 years for that? [LB829]

LYNN REX: No. No, Senator. That's not what I'm saying. [LB829]

SENATOR GROENE: Well, you just said they'll wait 15 years. [LB829]

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LYNN REX: I'm saying that most of those...I don't...I can't address all in ins and outs of the Costco plant. What I can tell you though is that overwhelmingly those TIF projects in the state of Nebraska, even though they can go a maximum of 15 years, they typically don't. They're paid off in eight to ten. Tax increment financing and LB840 programs which are local, voter-approved programs are the two, single-most important ways...in fact, the only ways in which municipalities in the local level can help expand the base. That's how your cities are growing and that's how things are happening in the state of Nebraska... [LB829]

SENATOR GROENE: Well, excuse me. Thank you for your answer. [LB829]

LYNN REX: ...to expand and diversify... [LB829]

SENATOR GROENE: Excuse me, but... [LB829]

LYNN REX: ...the base, Senator. [LB829]

SENATOR GROENE: You're saying a tax cut, a tax abatement spurs the economy. [LB829]

LYNN REX: It can. [LB829]

SENATOR GROENE: This is a tax abatement. It might just spur the economy so much that it pays for itself, could that happen? [LB829]

LYNN REX: Of \$1.1 billion, I think that has got some huge issues with it. [LB829]

SENATOR GROENE: That's a pretty good tax abatement that would really help. [LB829]

LYNN REX: I'm suggesting to you that we're not opposing the concept of providing proper tax relief. I want to make that abundantly clear. I don't think anybody sitting here behind me or in front of me opposes property tax relief and I know many of you here... [LB829]

SENATOR GROENE: Does it concern you that TIF... [LB829]

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LYNN REX: ...have worked very, very hard to provide property tax relief, as (inaudible).  
[LB829]

SENATOR GROENE: Oh, I know. You guys give it to...in Omaha, you give it to 9 percent of the entire tax base with TIF. So I know you believe in tax abatements, the city of Omaha does. So apparently you do believe in it. [LB829]

LYNN REX: I think that when you see some of the studies that are going to be coming out here within the next couple weeks, I think there will be some numbers, Senator, that would be of interest to you to show the importance of TIF to state of Nebraska. [LB829]

SENATOR GROENE: But you got to come out with the idea that growth does not happen without TIF and I will never accept that because I believe in the free markets more than I guess some do. So thank you. [LB829]

LYNN REX: And I do think, Senator, that there are many, many projects in this state, the overwhelming number that would not happen without TIF. I do think there are some that may have happened without TIF. [LB829]

SENATOR GROENE: Do you know that you're admitting with TIF? Do you know what you're admitting? That property taxes are so high that people will not build without tax abatement, that the fact that they will have to pay property taxes for the next 15 years or so burdensome that they will not build. It's an admission that we have a property tax problem in this state. [LB829]

LYNN REX: First of all, let me concede we have a property tax issue that needs to be addressed, number one. I think the Syracuse Study and the Tax Modernization Study outlines why that's the case. Secondly, the reason, Senator, for tax increment financing is so that in fact you don't have folks with so much...it's so much more expensive... [LB829]

SENATOR GROENE: It's for urban renewal. [LB829]

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LYNN REX: ...to do it when you're having to deal with asbestos issues and all...and infrastructure replacement than it is just to go out on bare property and build. Much easier to build just on bare property. So with that, we think that TIF is...there is no question TIF is one of the most important things to help build and diversify the state of Nebraska. [LB829]

SENATOR GROENE: I'm glad you agree that tax abatements and tax reductions help spurs the economy. [LB829]

LYNN REX: I'm not suggesting to you that a property tax reduction would not be helpful. I'm happy to debate with you all day long, Senator. [LB829]

SENATOR GROENE: I know. He's not. (Laughter) [LB829]

LYNN REX: I have no place else to go, Senator. [LB829]

SENATOR SMITH: I think you guys could go all night. Any further questions from the committee? I see none. [LB829]

LYNN REX: I appreciate your time and consideration. [LB829]

SENATOR SMITH: Thank you, Ms. Rex. [LB829]

LYNN REX: And I also want to thank this committee for all the hard work that all of you have done for a long, long time to work on this issue. This is not an issue or case of first impression. Thank you very much. And I appreciate Senator Erdman bringing the proposal to you. Thank you. [LB829]

SENATOR SMITH: Thank you, Ms. Rex. Next opponent. I see no further opponents right now so we're going to suspend taking any additional opposition to this bill until the end of the hearing. So with that, next proponent, please. Welcome. [LB829]

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PAUL NELSON: I'm Paul Nelson, P-a-u-l N-e-l-s-o-n. I'm from northern Holt County. I'm here today to address and give support to LB829 and I want to bring this point out right now, right at the start. I haven't heard anybody truly address what LB829 is for the farmers. Right now it is a temporary mandate. It's a interim step for you people to take. It's kind of like a moratorium on whatever it is to get to work and this is a massive problem we've got to address. Very quickly, I moved back 39 years ago into this Nebraska, the great life. I'm a fourth generation farmer. The family has been in the farm since...for about 140 years, just short. I currently brought my daughter and my grandson into the operation. It's not complete yet. I'm very concerned. These will be the fifth and sixth generations. Unless something is done, unless we can stop, as I said, and take a break, I'm not sure we can last out more than a couple three years. It's that crucial. But I guess I want to say that I came back here in 1978 after serving in military and various aspects of government life for almost 40 years. I came back to what I thought was going to be the good the great Nebraska life. At that time when I came back, and these are just simple figures and you've heard an awful lot, but on my ranch and farm up there I paid about a \$1 an acre. Now today on average I'm paying over \$10 an acre and this is some pretty poor land right on the edge of the Sandhills. However, there's another side to this story. In real dollars I have increased my gross income almost ten times through careful management, preserving property, and what have you. And final though, however, my net income has not even kept up with the cost of living. We are about the end of our rope. I want to suggest the possibility of what we have to look at, what you have to look at to make this thing work. This is a massive problem. The total tax system needs to be restructured. This involve you, the Legislature, it's going to involve the people's house in petition, it's going to have to involve the administration, and I'm afraid it's going to have to involve the judicial branch of government to solve this. And that won't happen in...without this interim to protect us, it won't happen that we're going to get this done and be able to stay out there on the farm. My light is red and I guess I would like to say I spent the day here. I enjoy it. I appreciate your service. I ask you to really knuckle down and to least give us a brief reprieve with this LB829 so we can maybe last for another day. Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Nelson, for your testimony. Senator Schumacher has a question for you. [LB829]

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SENATOR SCHUMACHER: Thank you, Senator Smith, and thank you for coming down today and testifying for us. I think one thing you said is particular significance: Your gross has gone way up and your net has barely held its own over a long period of time. There's a lot of things that come between gross and net, a whole list of expenses, only one of which is property tax. I suspect your fuel has gone up, your fertilizer has gone up, your seed has gone up, your administrative cost have gone up. And a lot of those things you have no control over, is that correct? [LB829]

PAUL NELSON: That's correct. [LB829]

SENATOR SCHUMACHER: And it's the vendors, when they sense you have an extra nickle they want it. [LB829]

PAUL NELSON: Yes, and the only reason we're still in operation out there is, just because they wanted an extra nickel, I shopped harder and longer through a competitive system to buy cheap and to...in fact, I (inaudible) a lot more on the farmland. [LB829]

SENATOR SCHUMACHER: Buy some more land. [LB829]

PAUL NELSON: Prices when I could see the trend, I didn't buy any more farmland. Last piece of farmland I bought was coming out of the eighties and most of you remember with the eighties were. [LB829]

SENATOR SCHUMACHER: And to the extent you get an extra nickel in property tax reduction, one of those vendors are going to want that nickle. [LB829]

PAUL NELSON: Probably not. I'm not loose with my pocketbook. [LB829]

SENATOR SCHUMACHER: Right, but they'll want it and they can raise their prices. You can't. [LB829]

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PAUL NELSON: Well, then I'll find another way to do it. There's more than one way to skin a cat, Senator. And that's the only reason that we're still in business. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

SENATOR SMITH: I see no additional questions. Thank you for your testimony. [LB829]

PAUL NELSON: Thank you for your time and I appreciate it. I hope you'll address this bill and move it forward. [LB829]

SENATOR SMITH: Thanks for being here today. Next proponent of LB829. Welcome back, Mr. Smith. [LB829]

MICHAEL SMITH: Thank you. My name is Michael Smith, M-i-c-h-a-e-l S-m-i-t-h. I'm from Morrill County. I'm on the Farm Bureau board. As I told you earlier, I do work on a ranch. I don't own on a ranch. But the other thing that I started that my wife so graciously spurred me on to do which was a lifelong dream of mine is to make a living hunting. I do not have a TV show but I did open an outfitter. I own Legacy Outfitters of the Sandhills. I am 31 years old and it's the first time since my dad's dad in our family that someone in our family has owned a business and I'm very proud of that. Now in order to expand my business, right now I lease ground from farmers and ranchers from the ranch that I work on and other people in the area. Now in order to expand that, I need to be able to buy ground and I also need to be able to have a house on it. I need...probably going to have to be able to lease, have enough ground to lease so that I can make some additional money and run my own cow-calf operation. Now in order to do that I either have to take out an astronomical loan or property taxes are going to have to come down so that it's more feasible for me and my overhead is going to be low enough a year to where I can actually buy enough ground so that I can expand my business because until then my business is going to stay pretty stagnant unless I can grow it. And that's something that I've wanted to do. Now I understand property tax is not the only thing that's going against me there. But it does have a huge...it is a huge factor in it, because I can't go buy a piece of land. And I've got to factor in on top of my other overhead now. I've got to have to factor in what my property taxes are going to cost. And that's a pretty big burden for the amount of land that I'm going to have to have. If you

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want to figure out how to solve this problem, I would encourage you guys that...I hear a lot of going back and forth. The thing that keeps coming to my mind is this, is that you guys are put in this position and you're voted by the people in your districts. And you guys are there to protect our laws and to do your job and we do our job. And \$4,000 for a farmer is no comparison to making \$12,000 a year as a state senator when you have another full-time job, if you have another full time job. If you don't, then that's fine. I just want to make it clear that that comparison was...I probably shouldn't utter the term. Anyway, if you have any questions for me I would take those now. [LB829]

SENATOR SMITH: Thank you, Mr. Smith. Senator Friesen. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. Mr. Smith, you said you were an outfitter business. [LB829]

MICHAEL SMITH: Yes, sir. [LB829]

SENATOR FRIESEN: So how much of your business comes from out of state? [LB829]

MICHAEL SMITH: Oh, well this year I had three clients from Texas. Man, I have to think. [LB829]

SENATOR FRIESEN: Would you say... [LB829]

MICHAEL SMITH: I had seven total clients this year, four of them came from out of state. So over 50 percent of my business came from out of state. [LB829]

SENATOR FRIESEN: So you're just starting to grow your business. Is there something we as a state can do to help you grow your business as a start-up business? What is there that we could do to help you the most? [LB829]

MICHAEL SMITH: To help me the most, you could get over-the-counter rifle antelope tags. That's one thing you could do. That would grow some revenue in huge way. The other thing, I



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think Morrill County is the highest property taxed county, where we live, where I live. Our property taxes are going up \$200 a year for every man, woman, and child. Now I don't have any kids, but I have a wife. My boss has six kids and a wife so there's eight people in his family. So that's \$200 per person a year that he's paying on top of property taxes. [LB829]

SENATOR FRIESEN: I take it... [LB829]

MICHAEL SMITH: So to me, to start that my overhead cost has to be lower and one of the biggest problems for me is property taxes. [LB829]

SENATOR FRIESEN: So you lease ground from area farmers in order to have hunting rights on there. [LB829]

MICHAEL SMITH: Yes, sir. Yes, sir. [LB829]

SENATOR FRIESEN: And you're saying basically that those property taxes are increasing your cost of leasing ground. [LB829]

MICHAEL SMITH: Yes, sir. Yeah, definitely. [LB829]

SENATOR FRIESEN: Okay. Thank you. [LB829]

SENATOR SMITH: Senator Groene. [LB829]

SENATOR GROENE: Have you ever thought of running for the school board? [LB829]

MICHAEL SMITH: Yes, sir. [LB829]

SENATOR GROENE: Do it. [LB829]

MICHAEL SMITH: Okay. [LB829]

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SENATOR GROENE: That's how you lower taxes, some of the taxes locally. Thank you.  
[LB829]

MICHAEL SMITH: Yeah, thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Smith, for your testimony.  
[LB829]

MICHAEL SMITH: Okay. Thank you. I appreciate it very much. [LB829]

SENATOR SMITH: Next proponent of LB829. Can I see a show of hands, how many more that we have that wish to testify tonight. Okay, very good. Thank you. Welcome. [LB829]

CASEY SCHUHMACHER: Thank you, Committee. My name is Casey Schumacher, C-a-s-e-y S-c-h-u-h-m-a-c-h-e-r, and I'm from Dawes County, Nebraska. [LB829]

SENATOR SMITH: And you pronounce that Shoe-maker (phonetically)? [LB829]

CASEY SCHUHMACHER: Shoe-maker (phonetically), yep. I'm from Dawes County, Nebraska. It's 461 miles from my house to this building. And I'm here to testify in support of LB829. I understand Senator Brasch's concerns about what are we going to do, how are we going to pay for this? Are we going to get backed in a corner with this? We're already back to the corner. I think we're to the point you can look...I drove 460 miles. This is how big this issue is. We're going to have to stand up and I think the support is there from all across the state. You know, if somebody wants to, say, tax our irrigation water, you know, there's going to be some pushback. I fully believe that the citizens in the state of Nebraska are committed to this. That's all you hear about. And I get a kick out of listening to these different polls and different things saying...I have never met one Nebraskan that told me they needed income tax relief, not one. I guess I'm hanging out with the wrong crowd, but I've met a lot that told me property tax relief is their number one issue. And you look at this bill. I told Senator Erdman he should call this the political will bill, because this says you've got to do a job. You've got to sit down. And I understand the lobbyists come in here and nobody wants to be the person to say we can't spend

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the money. It's tough. But this is a kindergarten lesson of wants versus needs. And I still want to see the list for Senator Groene of the unfunded mandates. I wish they would bring it. I can come up with a couple off my head, but nobody will stick it out there and stick their neck on it. We need to be honest. There's a reason Trump won the Presidency. I mean it...we don't understand it still, but there is a reason. And upfront and honest and just being forthright with people, this bill brings property tax relief. It's not gimmicks. It's not giving money to people that didn't pay it in. This brings relief. And just the same as a federal tax deal, this will grow our economy. I can tell you right now, property tax in the last decade over at our place, we are a hired man short now. You killed somebody's job when nothing has gotten done on property tax. Pass this bill, I'll go hire somebody at a good living wage as soon as it is enacted. So with that, I'll close. [LB829]

SENATOR SMITH: Thank you, Mr. Schuhmacher, for testifying. Senator Groene and then Senator Brasch. [LB829]

SENATOR GROENE: What school district are you in? [LB829]

CASEY SCHUHMACHER: I am in Chadron and Crawford and we are maxed out at \$1.05 levy. I have... [LB829]

SENATOR GROENE: So you have a very high tax rate. [LB829]

CASEY SCHUHMACHER: I have attended the tax asking hearing the last two years. Got somebody else to go with me this year, so we're up to two attendees. But we have public land in Dawes County. That's kind of our big fight with that. [LB829]

SENATOR GROENE: So this would really help you guys. [LB829]

CASEY SCHUHMACHER: Yes. [LB829]

SENATOR GROENE: It would equalize...basically equalize your school funding. [LB829]

CASEY SCHUHMACHER: Yes. [LB829]

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SENATOR GROENE: A bill like this. I was wondering also which kindergarten still teaches kids wants versus needs. [LB829]

CASEY SCHUHMACHER: My wife is a teacher, so... [LB829]

SENATOR GROENE: That makes...that helps. Thank you. [LB829]

SENATOR SMITH: Senator Brasch. [LB829]

SENATOR BRASCH: Thank you, Chairman Smith, and thank you, Mr. Schuhmacher, for coming forward. And once again, I have no argument there. And I would like to believe that my district knows me, also for saying things the way they are. And I've always thought that if it sounds too good to be true...you know, it sounds too good to be true, it's probably, you know...there's something here where I don't...how can we cut back? We cut back your property taxes, but then how do we operate the rest out of public safety? How do we make sure that...? [LB829]

CASEY SCHUHMACHER: And something I've seen in discussions with local governments and local entities, I'm a firm believer in the span of control and I really enjoy studying management. And you look at this, and it's something that I've brought up, is elected officials from the county commissioner to you guys, when you get to office you're told to not micromanage. Well, you know, driving down here, the Legislature, I know you see waste in the state of Nebraska driving just the distance from your house to the Unicameral. It's micromanagement but it needs to be said. I mean that's...it's all about personal accountability and responsibility to me. You look at this bill, we are going to grow the economy. I mean we're one operation and we'll hire another individual. And I think you'll see that be the case all across the state. Now when it comes to the Property Tax Relief Fund, there is part of it, the funding is there. It's just like last year. If you dug through last year's budget, there were some spending cuts. There was. But what the newspaper reported was spending cuts, there wasn't actual spending cuts. Government...and like Senator Harr said, that we like to think government runs lean, I've never seen Nebraska government shrink, so I mean it's never...we've never cut anything. There's never been a cut. We've curbed growth. [LB829]

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SENATOR BRASCH: And I guess my final question is, are you here through Farm Bureau as well, or...? [LB829]

CASEY SCHUHMACHER: I came on my own for this bill, but I'm Farm Bureau member, yes. [LB829]

SENATOR BRASCH: Are you a member of the other group? I guess there's like a major group, a coalition or something. I'm so pleased. In eight years I've not seen such a big turnout on such an issue and I'm wondering what's the driving force. Is it just your membership because we're members. [LB829]

CASEY SCHUHMACHER: Yeah, it's paying \$100 for...you know sell a calf for \$900 and \$100 of that goes to pay your local education deal. [LB829]

SENATOR BRASCH: Thank you for coming forward today. And I think future Legislatures, should this move forward, will have their hands full. [LB829]

SENATOR SMITH: Senator Friesen and then Senator Groene. [LB829]

SENATOR FRIESEN: Thank you, Chairman Smith. I'll make this really brief. Have you sat up in the balcony and watched the session this morning? [LB829]

CASEY SCHUHMACHER: I have an iPad in my feeding pickup and my tractor and I watch you every day. [LB829]

SENATOR FRIESEN: Do you really think we have the capacity to fix this? [LB829]

CASEY SCHUHMACHER: I hear that. I got in an argument with a legislator over that. He told me...he goes show me your votes. That's your job. And I mean... [LB829]

SENATOR FRIESEN: I'm just asking the capacity. [LB829]

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CASEY SCHUHMACHER: Yes, fully. [LB829]

SENATOR FRIESEN: You have more confidence than I do. Thank you. (Laughter) [LB829]

SENATOR SMITH: Senator Groene. [LB829]

SENATOR GROENE: Senator Friesen made a good point. If this doesn't pass, would you have a clipboard in your pickup going out signatures for the petition? [LB829]

CASEY SCHUHMACHER: Yes, sir. [LB829]

SENATOR GROENE: Thank you. You're out there in Dawes County. If we cut the University of Nebraska, does it affect you at all? [LB829]

CASEY SCHUHMACHER: Yes, it does because the first place they cut is...there's a hiring freeze right now. We have one position... [LB829]

SENATOR GROENE: Your Extension. [LB829]

CASEY SCHUHMACHER: ...a 4-H assistant. [LB829]

SENATOR GROENE: And that's what they go after, the rural. [LB829]

CASEY SCHUHMACHER: Yep. They only fund 10 percent of it, but there's a hiring freeze so we can't hire. [LB829]

SENATOR GROENE: But could you get away with that 10 percent and the county fund it themselves? [LB829]

CASEY SCHUHMACHER: Not really, I mean it's not... [LB829]

SENATOR GROENE: So you want us to spend a lot of money on the university. [LB829]

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CASEY SCHUHMACHER: No. [LB829]

SENATOR GROENE: Well, you've got to make... [LB829]

CASEY SCHUHMACHER: But there's certain things that, yes, there's give and take and that's one. I just get a kick out of it that... [LB829]

SENATOR GROENE: You realize this wouldn't affect roads at all. It wouldn't affect your roads out there at all because you would have the state fuel taxes, right? [LB829]

CASEY SCHUHMACHER: Yeah. [LB829]

SENATOR GROENE: So that wouldn't change. Counties don't get any aid, so it wouldn't affect your county. [LB829]

CASEY SCHUHMACHER: Yep. [LB829]

SENATOR GROENE: It wouldn't affect your NRD. NRDs don't get any aid. So out there, way out in Dawes County, it would help you a lot but you wouldn't really lose anything if the state made any changes to their budget, would they, in rural Nebraska? [LB829]

CASEY SCHUHMACHER: Yes and no. I mean it does affect us. [LB829]

SENATOR GROENE: Which one, just 10 percent on one employee, \$3,000, \$4,000 on an Extension employee? [LB829]

CASEY SCHUHMACHER: When it comes down to...when it comes down to it, we still are tied to Lincoln with all the other taxes, fees, everything else. [LB829]

SENATOR GROENE: So earlier you said let's...there's waste, but now you're saying there isn't, that we need to fund all these projects and we need to throw all this money out there. I'm confused now. I thought you wanted to cut. I'm on your side... [LB829]

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CASEY SCHUHMACHER: Yeah. [LB829]

SENATOR GROENE: ...but I'm trying to...you don't want to cut. See, that in lines the problem. I was hoping you would say you could get by without it. [LB829]

CASEY SCHUHMACHER: No, we can get... [LB829]

SENATOR GROENE: Nobody wants to give anything up. [LB829]

CASEY SCHUHMACHER: Yeah, we can and we have. [LB829]

SENATOR GROENE: All right, that's what I wanted you to answer the first... [LB829]

CASEY SCHUHMACHER: We have. I mean but it's nice. But it's just a little...that's a little piddly thing. It really is. [LB829]

SENATOR GROENE: I know. A land grant college should fund their Extension, but I understand that. [LB829]

CASEY SCHUHMACHER: But, no, I agree. We can get by with it and we do get by with less out in western Nebraska. Our schools show that very much so. [LB829]

SENATOR GROENE: All right. Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony. In fact, I had a mentor in law school who was President Nixon's rabbi and I got to know him rather well and he said you dropped the H out of your name. I don't know about that. Oh, yeah, he says. But the point that...let's just suppose we take this billion dollars a year in revenue away state government and we see the baby boomer expense because they haven't saved enough money to put themselves up in nursing homes. And we see the federal government play some games and



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we lose some federal funding and this, that, or the other thing. And any number of other expenses that happen, we get an order from a federal court to do something that costs several hundred million dollars with the courts or with the penitentiary. And it gets down time to push comes to shove, to come up with a billion dollars a year. And one of the things on the table is consolidating higher education and closing Peru, Chadron, and Wayne. You prepared for that? [LB829]

CASEY SCHUHMACHER: Yes, sir. [LB829]

SENATOR SCHUMACHER: You're okay with closing Chadron? [LB829]

CASEY SCHUHMACHER: Yep. I'll tell you what, I argue with local guys quite a bit because there's quite a few people that will tell you that Chadron State is the only thing that keeps Dawes County alive. Well, I can tell you the ag census and I can tell you how many ag products are sold out of Dawes County and I can tell you what CSC's budget is. And you can guess which one is higher. [LB829]

SENATOR SCHUMACHER: Okay, so those are the kind of things that fortunately I and most of the committee members will not have to face the music on, but those are the kind of structural changes to government that we're probably talking about if we're faced with that kind of cut. [LB829]

CASEY SCHUHMACHER: And there's efficiency issues everywhere. I drove 461 miles. I could have went to WNC which I pay a ton of tax to WNC, and they have distance learning capabilities. That's something right there. You want citizen involvement? You've got to meet us halfway. I'll tell you what, you get a video conference set up to testify on these hearings at the state colleges, I'll be there. [LB829]

SENATOR SCHUMACHER: And we should be doing that. Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Schuhmacher, for coming in. [LB829]

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CASEY SCHUHMACHER: Thank you. [LB829]

SENATOR SMITH: Next proponent of LB829. Welcome. [LB829]

J.B. ATKINS: Thank you. My name is J.B. Atkins, spelled like it sounds, J.B. Atkins, A-t-k-i-n-s. I don't know if you'll learn a whole lot, but I'll try to make it entertaining. If you don't know me, when I start telling my story you may know who I am. I was prompted to come up here because...one of my opponents that I've listened to was the Nebraska Association School Boards and I didn't exactly feel like they was represent my feeling as a school board member. And that's where my story goes. I'm a member...I'm the treasurer of the Broken Bow, in Custer County, Broken Bow School Board. And I was just elected here about a year ago and we had a pretty conservative election. And no surprise there in Custer County. And we came to the realization that we wanted to take property tax control under ourselves, because no offense, guys, but we didn't exactly trust you guys to get anything done. So we kind of decided we were going to do it ourselves. Seventy-two percent of my property tax goes to pay the education of Broken Bow Public Schools, okay? So we sat down and said how are we going to do this? And we said, well, the first thing we need to do is develop a baseline. And I'm not going to take credit for all this because there was a couple guys that was involved in it, but we developed a simple baseline that everyone uses. It's on the Web site. It's called cost per pupil. And once we started down this road we started hearing all the same things you guys are hearing today. Oh, God, this is the end of the world. And we hadn't even got there yet, okay? And so we discovered that it was costing approximately \$15,000 per student to educate a student at Broken Bow High School. How does that compare? Well, when you start talking comparabilities, this is where the roadblocks start getting thrown up at you because no one wants to be compared, in my opinion, within the school system, and especially when you start talking cost per pupil. So what we did is we took the ten schools above us and the ten schools below us and guess where we were at? Today were 19th, meaning we are the second highest cost per pupil in that range of schools. And so we decided to take it upon ourselves that, hey, this is proving that we can potentially reduce property taxes in our district because obviously we think that we could do this maybe a little cheaper. Obviously a lot of schools are doing it cheaper, so we proposed--and this where it gets fun--we proposed reducing the budget 5 percent. At the time we didn't know what the real spending reduction was going to be but it wound up being 1 percent. You know what that got me? Recalled. Okay, me

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and another gentleman, the president of the board got recalled over a 1 percent real spending cut. That's the issue you guys are dealing with, in my opinion. It takes some strong conservative leaders to go out there and do the right thing. We held the line. We...you know, there is an abundance or a lack of spinal columns out there once in a while but we held the line and survived the recall, fortunately from my part and he did as well. But where I'm coming from this is there's two parts of this equation. We need to do better job at the local level. I understand schools say I'm maxed out. Well, you know, I don't know when you guys went to school, when I went to school, things are a lot better there than it was when I went to school. I think there are room and I can prove to you. I've been through the budget amply. I'm running out of time, but my second part of that is, yes, we need to do a little better job at the local level, but the other issue of that is the balance is off. Two-thirds of our revenue to the school is coming from ag valuations. Only a third of it is coming from commercial and residential. Okay, so you've got businesses--I call them businesses, folks--farms and ranches are businesses just like businesses in town. But a ranch, does he have TIF? It's improving his land to put a center pivot on it. He hired an extra guy. Did he get TIF? No. My opponents have proven the property tax relief works, but we're picking winners and losers here. And that's what a tax code does is picks winners and losers. And unfortunately right now you've picked a loser. The ag industry is losing dramatically and that's why you're seeing a crowd here, okay? Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Atkins. Senator Groene. [LB829]

SENATOR GROENE: Glad to meet you finally. [LB829]

J.B. ATKINS: You bet. [LB829]

SENATOR GROENE: Admire you for hanging in there. [LB829]

J.B. ATKINS: Thank you. [LB829]

SENATOR GROENE: They tried to scare a lot of individuals not to do what you did by throwing recalls at you and both you guys are back. Is the superintendent still there? [LB829]

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J.B. ATKINS: He has resigned. [LB829]

SENATOR GROENE: You can get things done. You said your budget of your property tax portion, how much of your school budget funding comes from the state versus the property taxes? [LB829]

J.B. ATKINS: We're down...we're at the minimal, whatever it is. I think we're \$94,000 on about a...our budget is approximately \$10.99 million, I'll call it \$11 million. [LB829]

SENATOR GROENE: And how much of that is state? [LB829]

J.B. ATKINS: \$94,000. [LB829]

SENATOR GROENE: \$94,000. [LB829]

J.B. ATKINS: \$97,000. I could be off. [LB829]

SENATOR GROENE: So that's a big part of this, isn't it, because the state hasn't (inaudible)? [LB829]

J.B. ATKINS: We've lost \$2 million in funding in the last three years. [LB829]

SENATOR GROENE: Not only rural Nebraska, it's happening in Millard and Westside... [LB829]

J.B. ATKINS: Yep, yep. [LB829]

SENATOR GROENE: ...where the state is not doing their constitutional duty. [LB829]

J.B. ATKINS: Correct. [LB829]

SENATOR GROENE: And that's causing, like you said, 74 percent. [LB829]

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J.B. ATKINS: Yep. [LB829]

SENATOR GROENE: And this is a reaction to that, isn't it? [LB829]

J.B. ATKINS: Yes. [LB829]

SENATOR GROENE: As a budget person, wouldn't you think if this was enacted, the state looks at it, policymakers and says, well, we're giving 50 percent credit for this tax, why don't we force that tax down to 70 mills instead of a \$1.05 and throw more into state aid and we just saved ourself the 50 percent credit, because now it's state aid instead of...there's things that this thing could do if it was enacted to force policy changes, wouldn't it not do that? [LB829]

J.B. ATKINS: Correct. The best thing I like about it, as I understand the funding from your guys' perspective is the tough part. What I like about it, I've been in sales for 30 years. It's a deadline. You guys have a deadline with...nobody likes the term "forced" but unfortunately that's how things work. If I want a customer to make a decision and I have a coupon that's endless, he never has to make a decision. But if I give him coupon for \$1,000 off and it ends tomorrow, you guys have a deadline. Whether you realize it or not, there's a deadline coming folks. [LB829]

SENATOR GROENE: In Custer County, if there was \$1 billion taken out of state budget, would it affect it? You're not getting any state aid. What does Custer County have? [LB829]

J.B. ATKINS: Us? Yeah. [LB829]

SENATOR GROENE: Your roads taxes would still be there. This doesn't affect fuel taxes. Do you know of any rural county, really if the state budget dropped \$1 billion, it would affect any of their local public services? [LB829]

J.B. ATKINS: Not from my perspective, no. [LB829]

SENATOR GROENE: It wouldn't affect your school, would it? [LB829]

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J.B. ATKINS: No. [LB829]

SENATOR GROENE: If they took a 10 percent cut on your state aid, what would you lose, \$9,400, or you get \$9,400? [LB829]

J.B. ATKINS: Right, we'd lose out of \$94,000. [LB829]

SENATOR GROENE: Oh, you'd lose \$9,400. You think you could absorb that? [LB829]

J.B. ATKINS: Yeah. [LB829]

SENATOR GROENE: So it's not really rural Nebraska that should be worried about a state cutting fund...state budget cut, should they? [LB829]

J.B. ATKINS: I'm not that worried about it, no. [LB829]

SENATOR GROENE: I didn't think so. Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Senator Smith. Do you have any nursing homes in your...and retirement homes in your town? [LB829]

J.B. ATKINS: In our county? [LB829]

SENATOR SCHUMACHER: Yeah. [LB829]

J.B. ATKINS: Several. [LB829]

SENATOR SCHUMACHER: And does everybody in those homes pay their own way? [LB829]

J.B. ATKINS: I would have no idea. [LB829]

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SENATOR SCHUMACHER: Would it surprise you that our...the largest growing portion of our budget is old age home assistance? [LB829]

J.B. ATKINS: I'm not aware of what...exactly where you're going with this, but... [LB829]

SENATOR SCHUMACHER: Okay, but where I'm going is basically to the extent a lot of the people in those homes are assisted by Medicaid and if we were to cut off that funding because it does you no good to be part of the state and you don't get any benefit, there would be a lot of people having to live in somebody's basements there wasn't...the nursing home won't keep them for nothing. [LB829]

J.B. ATKINS: No offense, but you sound an awful lot like my opposition that wanted to recall me. There's a lot of guesses as to what...you're guessing, aren't you? [LB829]

SENATOR SCHUMACHER: No, I'm not guessing. And you answered Senator Groene's question as, look, we don't get any good out of the state. Let them go. [LB829]

SENATOR GROENE: Didn't say that. [LB829]

SENATOR SCHUMACHER: And... [LB829]

J.B. ATKINS: You're still going to get a substantial amount of money. [LB829]

SENATOR SCHUMACHER: But there is a lot of state of expenditures. [LB829]

J.B. ATKINS: So what's the cuts going to be to nursing homes? [LB829]

SENATOR SCHUMACHER: What was that? [LB829]

J.B. ATKINS: What's the cuts going to be to nursing homes? Can you give me a dollar figure? [LB829]

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SENATOR SMITH: Well, we're not... [LB829]

J.B. ATKINS: Oh, I'm sorry. I can't ask...I don't want to badger the witness. Sorry. [LB829]

SENATOR SMITH: Well, it's not that. It's just that we have a process here. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

SENATOR SMITH: You can badger these guys all that you want. Trust me. (Laughter) But we just can't ask them questions. Any other questions of the committee? I see none. Thank you, Mr. Atkins, for being here. [LB829]

J.B. ATKINS: Thanks, guys, ladies. [LB829]

SENATOR SMITH: Appreciate your testimony. Next proponent of LB829. Welcome. [LB829]

HOWARD DAHARSH: Thank you. My name is Howard Daharsh, H-o-w-a-r-d D-a-h-a-r-s-h. [LB829]

SENATOR SMITH: Welcome. [LB829]

HOWARD DAHARSH: Thank you. Well, I got a few points. I'm not as optimistic as some are here, but I've lived in Nebraska since August of 2000. The people here are wonderful. The tax system sucks. I'm about to leave due to this. It is not worth what I am paying in taxes to be a proud Nebraskan. So you can take that or leave that, but I had a chance before I decide to pick up and leave to try and help the people here that are so good and I would ask that you really consider LB829 and I want to speak in favor of it, because it is not solving the problem. But it is going to be enough reprieve that maybe you can get it solved before it is too late. Thank you. That's about all I have. [LB829]

SENATOR SMITH: Thank you, Mr. Daharsh. Appreciate you being here. And where are you from? [LB829]



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HOWARD DAHARSH: Angora, Nebraska. [LB829]

SENATOR SMITH: Angora, okay. [LB829]

HOWARD DAHARSH: North of Bridgeport. [LB829]

SENATOR SMITH: All right, very good. Well, thank you for being here and thank you for testifying. [LB829]

HOWARD DAHARSH: No questions? [LB829]

SENATOR SMITH: And I see no questions. Thank you. Welcome. [LB829]

KENNETH RHOADES: (Exhibit 14) Thank you, Senator Smith and Revenue Committee. I am Kenneth Rhoades. I'm an agricultural producer and landowner for Keith County...I'm sorry, R-h-o-a-d-e-s, Kenneth, K-e-n-n-e-t-h, from Keith County, which is Ogallala, Nebraska. Property taxes have become our single largest expense. Property taxes are a burden when it comes to economic activity. As taxes have risen so high, we no longer employ a second person on our operation. Having a second employee would be a benefit for the local economy, I would believe. We recently sold a parcel of land and had several inquiries from out of state, mainly Colorado, about the property. Several were very interested. But as soon as they found out what the property tax rate was they lost interest and only asked, how do you survive such high taxes? It been said that if you desire a lower property tax the focus should be at the local government where the tax rates are determined, yet I have seen where a person who challenged an increased spending motion at a county board meeting was ridiculed for doing so. And in a small community if you raise concern about spending, especially in a school district, you can also be labeled as a bad person not wanting a great education system in the community. It's not about the money but the best use of those monies. We have done study after study on property taxes and not much has been accomplished. That's why I think the Legislature needs to pass tax reform which reduces the current overreliance of property taxes and ensures our tax system is equitable to all Nebraska taxpayers. And you were worried...it was brought up about...worried about how we're going to pay for this. I have analogy of a basketball court. The ball has been in the court of the

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landowners, the property orders. Nobody worried about how we were going to pay for it. But we sacrificed and worked our tails off and paid for our property taxes. And now is the time the Legislature has to find a way. And there are ways out there I think. It's not going to be easy, but I think it can be done. It's a step forward. So I guess that's all. [LB829]

SENATOR SMITH: Thank you, Mr. Rhoades. Senator Groene. [LB829]

SENATOR GROENE: When you do your farm budget, do you start from zero and then figure costs, what seeds you're doing, maybe cut some here and... [LB829]

KENNETH RHOADES: Sure. [LB829]

SENATOR GROENE: ...raise a different crop because the input costs are different. And then you come for a total. [LB829]

KENNETH RHOADES: Yeah. [LB829]

SENATOR GROENE: Do you know how they do it here? We start from last year and add 5 percent. [LB829]

KENNETH RHOADES: Yeah. [LB829]

SENATOR GROENE: And then we brag because we only spent 2 percent increase. We tell you we cut our spending. That's how government works. You don't have to say this, but what's your overall expenses for your operation, your budget, just a round figure. [LB829]

KENNETH RHOADES: Probably around \$250,000. [LB829]

SENATOR GROENE: \$250,000. And you have yourself and one hired man. [LB829]

KENNETH RHOADES: And I have a brother. I farm with my brother. [LB829]

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SENATOR GROENE: Most small businesses with that kind of costs and stuff would have more employees than that. You're very efficient. [LB829]

KENNETH RHOADES: Well, we have to be. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: Senator Brasch and then Senator Harr. [LB829]

SENATOR BRASCH: Thank you, Mr. Rhoades, for coming. And, yeah, you look at all the states surrounding us and their property taxes are lower. They tax differently on ag land. And when I ask and maybe did I say who pays for it? That's not the question is...basically what I'm more concerned about is that should this come to the next Legislature, to make up for that \$1 billion and we look at 49 senators and if you do the math on the number of senators from Omaha and Lincoln--I don't know, what is that?... [LB829]

KENNETH RHOADES: Right. [LB829]

SENATOR BRASCH: ...it's twice the size of what the number of senators are from rural senators. I'm a rural senator. And when and we have to go to the table and look at what we need pay for at the end of the day, our few votes will not carry the majority. And I'm...I'm concerned about what Senator Harr is already tallying up and maybe Schumacher on, okay, we were so thrilled to get the repairs because of the border bleed on our farm equipment. We can't live without...hardly without these exemptions. We're already farming on antiques for most of the things we have. And so is it a wash? Has anybody done the math, is that what we're going to end up being potentially outvoted on our exemptions? I know we can't survive the property tax situation, but I'm saying to go from 0 to 60 and 60 to 0. I've always been an advocate for the 75 (percent), 65 (percent), looking at how we value and other things. I fear crashes. Any thoughts, if you did the math on how much exemptions you would... [LB829]

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KENNETH RHOADES: No, I haven't, not per se. But I've given a lot in the past. And I think there's...off the top of my mind, I see the Internet business was like 20 percent higher this year and that's not being taxed. [LB829]

SENATOR BRASCH: And we're working towards that because it's a federal law. [LB829]

KENNETH RHOADES: Yeah, I think... [LB829]

SENATOR BRASCH: There's a lawsuit right now in South Dakota and we already have water lawsuit, I don't know how many lawsuits. And you know who pays for the lawsuits? [LB829]

KENNETH RHOADES: We do. [LB829]

SENATOR BRASCH: We do. Yeah. So let's just not rack up those bills until...you know, cross that road when we get to it. But...and I guess I, for one, would like to see the math because the numbers in the Legislature, it's not a fair balance between urban and rural and it hasn't been or we...it wouldn't take us 40 years to get this far. I'm sorry but you have a good testimony. I mean I have no doubt. I worry about the future because we have grandchildren who we'd love to have farm someday. But right now we're worried if can farm. So until you do the math, I'd watch what you wish for. [LB829]

SENATOR SMITH: Senator Harr. [LB829]

SENATOR HARR: Thank you. Thank you, Mr. Chairman, and thank you, Senator Brasch, for putting those words in my mouth. I almost didn't speak. However, I will. I did not advocate for anything that was just stated there by Senator Brasch, okay? Let me be very clear about what I do and don't believe in and not let other people put words in my mouth. We've been here a long time. Obviously some people feel they need to take out their frustration on others. I will not do that, but I will tell you where I stand. [LB829]

KENNETH RHOADES: Okay. [LB829]

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SENATOR HARR: I do think we need to look at our property taxes. I've never disagreed with that. All I asked was when we look, you can't take...you know, you have to be careful what you do and I thought I heard someone say he wanted to broaden the base. And I asked if there was an area within ag he thought there was an overtax...that they could forgo a tax exemption. [LB829]

KENNETH RHOADES: Okay. [LB829]

SENATOR HARR: My words were then spun that I was going to steal from the ag people. Let me tell you where I live. I live in the state of Nebraska, okay? I represent the state of Nebraska. I don't represent rural Nebraska. I don't represent urban Nebraska. I represent Nebraska. I'm proud to be a Nebraska. My family goes back six generations. My family was the first to be born, white people, in some counties. I don't go around bragging about that, okay? What we're doing here is important and I don't want it to get personal. I appreciate your time coming here. I appreciate what you're doing. We're working. If we really want to do something we've got to work together. We make this urban/rural nobody wins. We have to find a way to work together. We need to find a way. We're not competing against rural Nebraska and urban isn't...rural and urban aren't competing against each other. We're competing...we're not even competing against Indiana. We're competing against India. We're in a world market. Farmers know that better than anybody else. [LB829]

KENNETH RHOADES: Exactly. [LB829]

SENATOR HARR: So we have to find a way to work together so that we can give ourselves an advantage over everyone else. And it's by working together as a team. It's not breaking down the other side. [LB829]

KENNETH RHOADES: Yes, I would agree with you. [LB829]

SENATOR HARR: Thank you. [LB829]

KENNETH RHOADES: Thank you. [LB829]

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SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith, and thank you for driving in from Big Springs. I know your red light went on before you could get to any specifics, so very briefly in 30 seconds or so, if you...if as a result of implementing this we have to cut spending at the state level somewhere in order to come up with some of the money, what's your number one suggestion as to where we should start cutting? And also a second question, if we have to raise revenues to pay for this, what's the number place we should look to to raise revenue? [LB829]

KENNETH RHOADES: I'm not sure. I think cutting should be broadband...broad spectrum, not the band thing. And on sales tax, I think sales tax ought to be raised some. In my school district, a bond was passed for a school. And people that don't pay any property tax or anything, they all vote for this new school almost half of the people that...agricultural land are or...end up pay for it, they get to vote. And then there's a lot of agricultural land the farmer has ground here but lives in the next district over, neighborly, and yet it's a lot of people that want all of the extra money deals for the schools. And I'm not against having the new school, but I think it was a little bit overbuilt. And so I think sales tax, everybody helps pay for that and that's on the education side, I understand. That's where I would start. [LB829]

SENATOR SCHUMACHER: So a sales tax for education, if we have to do revenue. And just broadly, cut wherever for our cuts. [LB829]

KENNETH RHOADES: Wherever we can find some places to cut. [LB829]

SENATOR SCHUMACHER: Thank you for your suggestions. [LB829]

SENATOR SMITH: I see no further questions. Thank you, Mr. Rhoades, for your testimony. Welcome. [LB829]

TOM SCHWARZ: Senators, I'm Tom Schwarz from Bertrand, T-o-m S-c-h-w-a-r-z. I'm going to quickly kind of follow up a little bit with along the lines of what he was just talking about. I'm going to tell you a little story about the Bertrand School District. A number of years ago, the

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conference we're in, the athletic conference we're in decided that schools had to be of...had to have gymnasiums of a certain size in order to host the district...or the conference championships, okay? Well, that number...there was only two schools in the conference that had that size gym. So Bertrand School Board and administration felt we've got to show these people and decided we needed to build a new gym, a new performance facility. It's a multimillion dollar facility. It had no academic component whatsoever. Well, finally there was enough of us raised Cain that they actually decided they'd put broadband into the school so there would be something, which was about \$20,000-25,000 as I recall. And in the end, the bond passes and the school is built. Okay, I'm going to give an example. In a bond election in Bertrand, there are 600-700 votes cast because the timing is always planned so that people are...it's as inconvenient as it can be for the people that might vote against it. It appears to me that way anyway. Now if you take the teachers, staff, school board, and their family members in our district, it amounts to about 350 people. So where does that put you at in any kind of an election? You've got to get everybody else to vote against it and that's somewhat unlikely in most of these times. I'm very concerned in the future we're going to have override elections coming up here probably within a year or two and we're going to be facing even more problems in our property taxes in our area. We seen, like everybody else, we've seen the more than double. And so we're hoping...I don't know if this plan is the perfect plan. It probably isn't the perfect plan, but it's something. And we're grasping at straws, people. I mean it's a very serious situation. And, you know, if you guys feel you need a little more control over the schools if you put the money into them, you probably should have some more control over the schools and if you can stop the stupidity I've seen in my school district, more power to you. But I actually have told people on athletics, I said maybe it's time to start talking about taking athletics out of schools. And, boy, if that doesn't jerk people's heads, I guarantee you. You know, I talk...I have a lot of friends in Europe and there's no public support of athletics over there. It's all club sports. Well, maybe we've come to a point we can't afford some of this stuff and we're just going to have to accept it. That's all I've got. [LB829]

SENATOR SMITH: Thank you, Mr. Schwarz. Senator Groene. [LB829]

SENATOR GROENE: You're a Class D I'm assuming. [LB829]

TOM SCHWARZ: D-1, um-hum. [LB829]

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SENATOR GROENE: How many...how far away is the closest towns? [LB829]

TOM SCHWARZ: Loomis would be 7 miles to the east and Smithfield, the giant metropolis of Smithfield would be 7 miles to the west. [LB829]

SENATOR GROENE: And they both have their own schools? [LB829]

TOM SCHWARZ: No. Smithfield is consolidated into Bertrand. Loomis does still have their own school district. Holdrege is 14 miles from Bertrand and I actually was a proponent, in fact, I developed a plan to do a consolidation to bring Bertrand into the Holdrege School District. I think that would make sense. I don't believe that we can afford the number school districts we have currently. [LB829]

SENATOR GROENE: Just an idea, what if we pass a law that says if you're going to have a bond election and you're under 50 kids in your high school, 100 kids in the high school, you first have a consolidation election? [LB829]

TOM SCHWARZ: I would not have a problem with that at this point. Guys, like I say, I think we're to a point here we're going to have to take some drastic measures. So at this point, I'd say yes. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: Senator Schumacher. [LB829]

SENATOR SCHUMACHER: Thank you, Chairman Smith. Thank you for coming from Bertrand. If we made a rule that you couldn't have a bond election except in a general or primary election, would that help? [LB829]

TOM SCHWARZ: I think it would help. Again, those numbers are still going to be tough because you're starting out...you know, we don't have a huge population base in our community



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and I can't say exactly what our turnout is on general election. But it's obviously greater. So, yeah, it would help. [LB829]

SENATOR SCHUMACHER: And if we made a rule that they couldn't around a few months later and bring it back again and back again and back again? [LB829]

TOM SCHWARZ: Oh, that would be even better because this bond issue was actually defeated the first time. [LB829]

SENATOR SCHUMACHER: I think we've heard that story from a number of places, that it's just a matter of just playing the slot machine. You pull the handle enough times and you'll hit the jackpot. [LB829]

TOM SCHWARZ: Someday you do. [LB829]

SENATOR SCHUMACHER: Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you for your testimony. Next proponent of LB829. Welcome. [LB829]

ALLAN KREMAN: Good afternoon. I am Allan Kreman, A-l-l-a-n K-r-e-m-a-n. I also am from the barren area in Morrill County. I guess you've been here a long time as well as I. But I wanted to sacrifice to be here. I could have wrote a letter. I could have done a lot of different things. I just need to address that basically I'm a first generation farmer. My dad worked for United Telephone and then Sprint and now, I don't know what's it called. It's been bought out several times, for 35 years. Shakes his head and he says, how do you do this? Why are you in it? I said I don't know, other than my uncles and my other relation was involved in farming. And I guess it's a God thing that I'm involved with it and I enjoy it. I've had a son. Since he's been 5 years old playing with trucks and toys and tractors and wants to be a farmer. But I had the privilege to buy some land from an out-of-state person that owned this land and he believed in family farming. And so when he got close to...well, in fact, he passed away here just this last year. But anyways when he knew it was reaching towards the end of his time and they accumulated a lot of land, so

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they gave me an opportunity to buy these acres. They sold them to me for half of the value. I ran up the numbers. In fact, I had even Senator Erdman, before he was senator, help me run these numbers. And he says, you know what, if you can do that for the same that you're paying your rent, it's a good deal. So I jumped on it. And now I can't make my payments because my inputs are the same, if not more, my taxes have raised above and beyond my type of income that's coming in. Fortunately, I'm able to drive truck during the winter. Unfortunately, it is related to agriculture as well because I do deliver liquid supplement with a company that's in Minatare. I'm just here to say that we need to do something, of course. You guys have gotten the numbers. People before me and behind me have also given you these numbers. But I just wanted to show you that I'm a face and not a statistic. We've throwed the baby back and forth on who's going to do this and who's going to do that. Well, I'm not here to give you suggestions. I'm just here to say that we need to do something desperately. You mentioned fact that you're going to be out, some of you, in eight years. But you've have eight years and you've known that this was 40 years of age and I don't understand that. I've only been involved in this for, you know, the last 15, 20 years. So I'm just not understanding why it's going to be understanding why it's going to be kicked down the road. But I thank you for allowing me to be here. [LB829]

SENATOR SMITH: Thank you, Mr. Kreman, for being here. Senator Groene. [LB829]

SENATOR GROENE: You make a good point, sir. Eight years is 20 percent of most people's working life. If you can't get something done in eight years, you shouldn't be doing...have that job is the way I look at it. Make a point, you've heard a lot of folks say we're going to take \$1 billion out of it. The last two years we supposedly took \$900-some million out of the budget over a two-year budget. And I'm looking at the budget here and everything increased, one little...the agencies dropped 1 percent. In other words, everything went up a little bit, yeah, but we dropped \$900 million out of our budget. And we spent in '16-17 prior to this new budget we had \$4.4 billion. With \$900 million cuts, the first year we spend \$4.424 billion. This year we're spending \$4.5 billion. We had increases. Have you ever heard anybody tell you they cut \$900 million out of a budget and they spent more? [LB829]

ALLAN KREMAN: The last two years I've went... [LB829]

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SENATOR GROENE: If you told me that would you...if you went to your banker and you told him you're going to cut your budget by \$50,000 but you're going to spend \$10,000 more, what would he do to you? [LB829]

ALLAN KREMAN: Well, the example I guess I could give is... [LB829]

SENATOR GROENE: Would he commit you? [LB829]

ALLAN KREMAN: ...the last two years I've went to our community college budget. And we ran...I let them run through their numbers and one thing they had was \$18 million in cash reserves. And then we go through what they're going to spend it on and they told me that they were going to spend approximately \$13 million on an entrance of this college. I'm going, wow. And their reasoning was because it was 40 years of age. I'm going, huh. I live in a house that's over 100 years old and I can't afford to even do my bathroom and make it nice, let alone making an entrance of a college. And then, so we get to the bottom line of that, and I'm answering your question, is the fact that they was all giggly because they had reduced their budget. And I said really? What is this bottom line here? I said in 2017 your budget was this number. This year your proposal is another, what is it, \$2 million, \$3 million more. I'm going I don't understand this. You said you reduced the budget. In third grade, as you say, when you subtract this sum from this sum it's supposed to be lower. And I can't calculate that. [LB829]

SENATOR GROENE: So when we... [LB829]

ALLAN KREMAN: And my mind said, yes, I have to budget mine where it is less. [LB829]

SENATOR GROENE: So when you have growth and you don't spend that growth, that's not really a cut. So you're not really cutting \$1 billion, are you? [LB829]

ALLAN KREMAN: No, I've never understood that. And that's been handed down from the federals to the states and now the counties even... [LB829]

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SENATOR GROENE: When a politician says we got a \$4 billion, we cut \$1 billion, we're going to cut...we're going to be only \$3 billion, that's really not true, is it, because we grow every year? Every budget grows with income, does it not? [LB829]

ALLAN KREMAN: It makes my head spin, because I'm not allowed to do that. [LB829]

SENATOR GROENE: And basically what Senator Erdman's bill would do is give the growth back to the taxpayers. [LB829]

ALLAN KREMAN: Oh, yes, which I can go back and talk to my banker. [LB829]

SENATOR GROENE: Thank you. [LB829]

SENATOR SMITH: I see no further questions. Thank you for your testimony. Welcome. [LB829]

TERRY JESSEN: (Exhibits 15 and 16) Thank you. Good afternoon. My name is Terry Jessen, T-e-r-r-y J-e-s-s-e-n. I'm an accountant and a third generation wheat farmer. I live in Oshkosh, Nebraska, where I was born. I own and manage several other businesses. I'm here to represent the hardworking taxpayers of Nebraska. I do not represent any organized group. In the packet that she's giving you, the first two are real estate tax statements. You've heard some other testimony, so now mine is not surprising. But in Kimball County, our taxes increased in ten years 305 percent and a Deuel County farm, 419 percent. Both of those were farms with no change in the land use, no improvements, no removal, just simply tax dollars. I've also passed up the 2016 property tax levies by county, so there's 59 percent average increase in the same ten-year period. These numbers show how far out of line real estate taxes are in Nebraska. And you look back down and look at individual counties and they're huge. Also in there is the Hightower Report of November 10, 2017, showing that Nebraska real estate taxes are the second highest in the nation. That is not something that will bring or keep people in Nebraska. In the last five years, corn prices locally have gone down 52 percent and wheat prices 57 percent. Producers simply don't have enough money to pay their operating costs and the real estate taxes. Many young farmers will be forced out of agriculture due to high taxes. As an accountant, a lot of retirement age

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people I see are selling their Nebraska real estate and moving to more tax friendly states. LB829 is about returning some degree of fairness and balancing the three-legged stool. That three-legged stool is way out of balance now. This is just to rebalance that stool. I want to share with you something that you've probably seen on TV, a GEICO TV...GEICO ad where General Washington is crossing the Delaware in the wood, flat-bottomed boat. The boat lurches ahead a foot at a time grinding on the pavement. But now I'm going to tell the same story with a little twist. So there's two taxpayers pulling the boat. The people in the boat are government bureaucrats who are throwing out bundles of cash in every direction as a boat lurches forward. And then there are six taxpayers pushing boat and the captain of the boat trying to encourage the taxpayers yells only 500 more miles to go. That's where our tax system is. We're asking to keep pushing, keep pushing, don't change anything. It's time for a change. You know, this bill needs to be forwarded to the floor of the Legislature. I'd be happy to answer any questions. [LB829]

SENATOR SMITH: Thank you, Mr. Jessen. I see no questions. Thank you for your testimony. Did you have a question? [LB829]

SENATOR GROENE: No. [LB829]

SENATOR SMITH: Okay. [LB829]

SENATOR GROENE: I had a question but I went blank. (Inaudible) Thank you. [LB829]

SENATOR SMITH: All right. Thank you for your testimony. Next proponent. Mr. Hansen. [LB829]

JOHN HANSEN: (Exhibits 17) Mr. Chairman, members of the committee, good evening. 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 Farmer's Union. And I wanted...I have given you a handout. This is the special orders of business passed by our representative delegates from across the state at our most recent state convention. There are several of the numbers that I think really kind of stick out in the whereases: 178 out of 244 Nebraska school districts, or 72 percent, do not currently receive state aid equalization from the state for 95 percent of their school operating budgets. So depending on how all these

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different proposals that you're going to be hearing this year about different kinds of things, a lot of it depends on whether or not you're equalized. If you don't get any now, you don't have as much to lose. And so we've got a system in place now where 72 percent of the school districts don't get any money; that's all property taxes for the general operation except for the 5 percent that they get in special needs and other things. So we're so far out of whack when you look at how we fund education, we're out of whack when we look at the use of the three primary revenue streams that we have in the state of Nebraska. We have three that are all connected and they're all tied together and they are all designated by the Legislature or through either by statute or through...or constitutionally mandated to perform certain kinds of services and responsibilities. And so we either pay with income, sales, or property. And so we have bit by bit, incrementally shifted a very substantial amount of money and we can argue about what that is but a lot of folks think it's at least \$1 billion from income and sales to property since 1998. So here we are, we've finally got to the point and the folks that you've heard from today, certainly my membership, they are saying that even though you can you can work a good horse to death, we are no longer a willing horse. And there is a line of demarcation that's been drawn. This proposal is not our first choice, not of all the different proposals you're going to hear this year. But we're part of all the other ag organizations, been working together on trying to craft a more constructive approach. But at the end of the day, our folks are feeling so desperate that it will be the actions of the Legislature itself that decides whether or not we support this ballot issue. And so they are giving you a good reputation, hoping you live up to it, and hoping that we could begin the process of serious property tax reform. And if not, I know what my leadership and I know what my membership are going to say when it comes time to decide whether or not we support the initiative process. We are looking at legal, legislative, and initiative processes for remedy. We're a part of all three. We prefer the legislative. We really do wish you well. Thank you for your kind attention this afternoon and your endurance. Thank you very much. [LB829]

SENATOR SMITH: Thank you, Mr. Hansen, for your testimony. Senator Harr. [LB829]

SENATOR HARR: Thank you, Mr. Hansen. Thanks for coming. Quick question, I heard you say to the number of schools that did not receive equalization aid. Do you know the number of students that do receive or percentage of students that do receive equalization aid? [LB829]

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JOHN HANSEN: My...this would be my ballpark idea of kind of where we're at. These 72 percent of the school districts in the state represents about a third of the students, it represents about two-thirds of the geographic area of the state. And when one of the special orders of this also kind of gets into the business of kind of which schools tend to be more, are more likely to be equalized than others. And so the ones who are least likely to be equalized would be the third that comes from the smaller and more rural districts. [LB829]

SENATOR HARR: So it's your statement that approximately two-thirds of the students receive equalization aid. [LB829]

JOHN HANSEN: Yes. [LB829]

SENATOR HARR: Okay. [LB829]

JOHN HANSEN: Two-thirds do and about a third do not. [LB829]

SENATOR HARR: Okay. I think the number might be higher, but we can look into that. Thank you. [LB829]

JOHN HANSEN: Yep, and I'll be glad to...I'm a numbers person. If you have more numbers, I'm excited. [LB829]

SENATOR SMITH: Thank you, Mr. Hansen. Senator Groene. [LB829]

SENATOR GROENE: Your numbers are probably right because Westside now is...has a big enrollment and they're unequalized. They get some option enrollment but they don't get any equalization aid. So it's creeping into the bigger communities, too, besides the small-town, rural Nebraska. But I think...John, I think your numbers are pretty close. [LB829]

JOHN HANSEN: Well, you know, even a stopped clocked is right twice a day. And so we've been struggling. We've been working on this process. We've been putting together numbers. We've been working together with a lot of good folks. And you know we want to be a part of this

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process. We really do wish this committee well, but we're at a point in time where...and I have the benefit of having worked on this issue for a long time when I was first elected to public office in 1974. There was a big ballot issue that had to do with education and property taxes the year I ran. So I would date that at least '74. That would be at least 44 years and we're still at it. And so we're...but where push is coming to shove and what really causes it to come to shove is we're now looking at year five of below cost of production commodity prices for mostly wheat, feed grades, oilseeds, and we're out of equity. [LB829]

SENATOR GROENE: Another question for you, so you believe Senator Erdman's approach is right, we need to address it at funding for schools which his does? [LB829]

JOHN HANSEN: Well, our position at this point in the process is all of the above. And so we think this is one of the options, depending on how things work out, that works for... [LB829]

SENATOR GROENE: But the other options, do you favor the ones that look at fixing the TEEOSA formula, or do you think we ought to just give property tax breaks for your county, which is really a local issue, and your NRD? [LB829]

JOHN HANSEN: Well, we're looking at a variety. I think all of the different kinds of things you could probably do to provide property tax relief I think we've probably looked at. And, you know, as the session goes forward we'll be weighing in on... [LB829]

SENATOR GROENE: But you said in 1974, it always seems to come back to schools, doesn't it? [LB829]

JOHN HANSEN: Well, school is the biggest user of property taxes. And so, therefore...and we've added community colleges since then which our organization supported. So we kind of incrementally keep adding the other things, which is...you know, community college has gotten everybody's attention at this point because of the size of the lid. And so, you know, we add that and then it's just the cost of education becomes the primary driver because it's the biggest ticket item. [LB829]



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SENATOR GROENE: Thank you. [LB829]

JOHN HANSEN: But it is not in isolation. [LB829]

SENATOR SMITH: Senator Harr. [LB829]

SENATOR HARR: Thank you, Mr. Chairman. And let me just state--thanks for coming, Mr. Hansen--if it really is two-thirds, we really are dropping the ball because it should be higher than that. And fortunately, next Thursday I hope to see you back here. I have a bill, LB1108, that provides school aid for every child. It's the amount of approximately \$225 per kid. So I'm hoping to see a lot of the same people back here who were advocating for a sales tax for education. Thank you. [LB829]

JOHN HANSEN: Thank you. And I thank Senator Erdman and I thank everybody who's bringing bills forward to deal with different parts of this. I think this is exactly the kind of conversation we need to have. Thank you. [LB829]

SENATOR SMITH: Thank you, Mr. Hansen. Next proponent of LB829. Seeing no remaining proponents, we do have letters for the record. (Exhibits 18-36) Tim Erdman, Scottsbluff, Nebraska; Jay Edens; and forgive me if I mispronounce some of these names; Van Newkirk family in Oshkosh, Nebraska; Twyla Gallino, Valentine, Nebraska; D. James Suit, Bozeman, Montana; Syd Kite, Gothenburg, Nebraska; Delwayne Epp, York, Nebraska; Dan Pollard family of Oshkosh, Nebraska; Joe Micanek; Ann Waren, Manning Ranch Company in Thedford, Nebraska; Kenneth Dirks, Chappell, Nebraska; Ryan Hanzlick of Wilsonville, Nebraska; Steven Sandberg; Steve Benzel of Alliance, Nebraska; Ron Reilly of Columbus, Nebraska; Robert Wallman, Adams, Nebraska; Susan Gumm, Omaha, Nebraska; Mary Bohling, Richardson County, Nebraska; and we received 29 form letters from Nebraska citizens. Do we have anyone else wishing to testify in opposition to LB829, opponents? Seeing none, we do have letters for the record in opposition. (Exhibits 37-45) John Spatz, Nebraska Association of School Boards; Nancy Bryan, city of Stromsburg; Annette Dubas, Nebraska Association of Behavioral Health Organizations; Jenni Benson, NSEA; Jami Jo Thompson, Norfolk Public Schools; Sandy Wolfe, Norfolk Public School Board member; Jordan Rasmussen, Center for Rural Affairs; Mayor

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Doug Kindig, city of La Vista; Mayor David Black, city of Papillion. Do we have anyone wishing to testify in a neutral capacity on LB829, neutral? [LB829]

\_\_\_\_\_: I'm sorry, I just had a letter and my name was not... [LB829]

SENATOR SMITH: If it was one of the form letters those go in... [LB829]

\_\_\_\_\_: It was not a form letter (inaudible). [LB829]

SENATOR SMITH: If it came before 5:00... [LB829]

\_\_\_\_\_: I got a note from you from your office that said they received it. [LB829]

SENATOR SMITH: I'm sorry, I have to go off of the list that I have. [LB829]

\_\_\_\_\_: How many (inaudible). [LB829]

SENATOR SMITH: I'm sorry. I'm sorry. If you want to talk to me afterwards, I'll be happy to talk to you afterwards. Anyone wishing to testify in a neutral capacity? (Exhibit 46) We do have one letter that was submitted in a neutral capacity from Dr. Mace Hack of the Nature Conservancy. And, Senator Erdman, you're invited to close on LB829. [LB829]

SENATOR ERDMAN: Thank you, Committee, for sticking around. I appreciate it. I appreciate the questions you ask. You know, when you sit there for five hours and listen you can learn some things. Did anyone hear of a private individual or person that testified against this? Everyone was a lobbyist, a nonprofit, a school, a city. Not one private citizen, not one, came to say a word in opposition. How many of those people that came here, the lobbyists, the AARP, the NSEA contacted their membership and said what is your position? I don't know. How many of those people came with a plan? Zero. But every one of them came and had an opinion on why we shouldn't do this, but not one of them, now one of them, had a plan. Does that surprise you? It surprises me. Those farmers, ranchers, those residential people, those commercial property owners had suggestions, had ideas. They came representing themselves. So you have a decision

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to make. Do you want to vote with the lobbyists, you want to vote with the special interests. Sure a good time to do it. Don't move the bill. If you want to do the work, Senator Harr, you want to represent Nebraskans, vote to move the bill. But if you don't care about people then keep it here. Senator Brasch, if you are so scared that we can't figure out how to pay for this, keep it here. Don't whine to me again about your again about your ag property values and your taxes. Don't do it again. The ball is in your court, okay? We get the Chamber of Commerce comes in whining and says this is not property tax relief for all. Well, I don't know. It sounds like anybody who pays property tax gets a 30 percent reduction. That sounds like all. I don't know what all means. Maybe I'd ask the Chamber what it means. And then OpenSky comes in and says we're going to give you a property tax credit. No place is it said about a property tax credit, never did. An income tax credit, not a property tax credit. So you sat here and you listened what people had to say and you think about it and you wonder who are these people representing. Did the NSEA bother to call those 28,000 members or poll them and say, how many of you own houses? Would you like a reduction in your property tax by 30 percent? What do you think the answer would be? No, no, the union says we can't do that so we're going to vote against that one. Doesn't make any sense. Where were all the private citizens that were against LB829? I didn't see any. I didn't hear any in the list that Senator Smith read off--not one. No. Where was the Chamber when they raised sales tax and income tax back in the early 2000s? On the sideline, okay? One thing that we didn't talk about, so we give them 30 percent income tax return to people, refund, credit, all right, that's taxable income. So an example, if you had \$10,000 in property tax owed and you got a 30 percent reduction, you would pay \$7,000. And that \$3,000 you got as a discount would be taxable the next year. But I got bad news for you. If you reduce the property tax to \$7,000 and they didn't have to pay the \$3,000, that \$3,000 that they didn't pay in property tax would still be taxable. It's taxable whether you get it as a refund or whether you get a reduction in property tax. So don't give me that it idea that because it's refundable it's going to be taxable. It already is. You never talk about the fact that if we do that, if we gave \$1 billion back, how much revenue does the state get the next year in income tax? Five percent? Five percent of \$1 billion, they get \$50 million in income tax returned. Senator Groene pointed out economic development. Ranchers sat here and said I'll hire another person, I'll expand my operation. Let's talk about senator...Kenny Rhoades was here, talked about as his expenses are about \$250,000. So, Senator Harr, let's talk about this a minute. So let's say that Farmer Rhoades pays sales tax on all of his inputs: \$250,000. That's \$13,750. I bet if I asked Kenny Rhoades how much do you pay in property

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taxes, do you think that number will be greater than \$13,750? Yeah, a lot. So maybe what we should do, maybe we should remove all of the sales tax exemptions on commercial property on all businesses, all manufacturing, agriculture, all of us get in together, get around the big old tax pool and hold hands and jump in, make a contribution. You see, agriculture may be well better off if they paid all the sales tax and you guys that are in manufacturing and business paid all the sales tax. Then we see where we're at. This is a huge issue. And you heard Mr. Hansen talk about we've been talking about it since '74; that's a little longer than 40 years. So here we are. We're at the end of the hearing. People drove a long ways, spent a lot of time come here, all right? And, Senator Harr, I understand the little spat we had about the Governor's flyer was to try to divide me and him. I understand that. I get it. We're not here to talk about the Governor's plan. I'm here to talk about this plan. So I encourage you, when you exec on this bill, bring it to the floor and let's have a discussion. Thank you. [LB829]

SENATOR SMITH: Remaining questions from the committee? Senator Harr. [LB829]

SENATOR HARR: It's less of a question and more of a comment. [LB829]

SENATOR ERDMAN: I expected it. [LB829]

SENATOR HARR: Yeah. If you want to try to win someone over, I kind of talked about this earlier, it's not good to impugn their integrity and to put malice where there was no malice. If you had a problem with me giving you a chance in a public platform to address an issue that was on the front page of the...well, the front page of the Midlands section of the Omaha World-Herald, I apologize. But it was something relevant. It had to do with the bill. I think that people wanted to know where you stood on that letter. It was newsworthy and if you had a problem with it, I apologize. But personal attacks on people, number one, don't win people over, don't add to making us a better Legislature. It's fun, feels good at the moment. But we got to be better than that. And so if you were offended by the fact that I asked you how you felt about the Governor's bill...letter that attacked your bill and that I gave you a chance to address that, again, my bad. I apologize. [LB829]

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SENATOR ERDMAN: Well, if I misinterpreted what you had to say I apologize also. Thank you. [LB829]

SENATOR SMITH: Senator Groene. [LB829]

SENATOR GROENE: Your ancestors came over here from Europe. Mine did too. [LB829]

SENATOR ERDMAN: That's correct. [LB829]

SENATOR GROENE: A lot of great government entities over there, beautiful edifices. I was watching the Discovery Channel the other day, all these historic buildings, government, failed societies. Why did they fail? Government got great. Kept building up, kept taking more and more from the people. Where did the people go? I think the government is about to lose the people. Government don't make a country and it doesn't make this state either. Just a statement, I can make one also. Thank you. [LB829]

SENATOR SMITH: Any additional questions or statements from the committee? Seeing none, Senator Erdman, appreciate you being here and... [LB829]

SENATOR ERDMAN: Senator Smith, I think you treated this hearing very well and I appreciate that very much. [LB829]

SENATOR SMITH: Thank you. [LB829]

SENATOR ERDMAN: Thank you. [LB829]

SENATOR SMITH: You know what, I appreciate your hard work on this and we got out before 11:59. Thank you, everyone. And that concludes our hearings for the day. [LB829]