

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 26, 2018

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SMITH: Good afternoon, everyone. Welcome to the Revenue Committee public hearing. My name is Jim Smith. I'm Chair of the committee and I represent the 14th Legislative District in Sarpy County. The committee will take up the bills in the order posted on the outside of the room. Our hearing today is your public part of the legislative process. This is your opportunity to express your opinion on the proposed legislation that's before the committee today. To better facilitate today's proceeding, I ask that you abide by the following procedures. Would you please turn off your phones and your electronic devices or turn them to silent so as not to distract the person that is testifying. As we begin to take testimony and you plan to testify on a bill, if you could move to the front of the room so you can be ready to move to the testifier's table when it becomes vacant. The order of testimony is introducer of the bill, proponents of the bill, opponents of the bill, those wishing to testify in a neutral capacity, and then we will allow for closing remarks by the introducer of the bill. If you will be testifying, please complete the green form and hand that to the committee clerk when you come up to testify. If you have written materials and you would like to have those distributed when you come up to testify, if you would let the page know you have materials to be distributed and they will distribute those to the staff and to committee members. If you do not have 11 copies, and you we will need at least 11 copies of any material that you want to hand out, let us know. In fact if you can let us know in advance, the pages can go and have those copies made so that you can have those ready to go when you come to testify. When you do come up to the table to testify, you will need to both state and spell your name so we can get it transcribed correctly into the record. The microphones are more to take your testimony for the transcribers than it is to project your voice. We will be using the light system; and so once we get to the individual bills, I'll get an idea as to how many testifiers we're going to have and we will use either a three- or five- minute time line. And what that means is that the green light will be on during the time that you're allowed to testify. It will turn to an amber color for the last minute that you're allowed in your testimony. And then once your time is up, it will turn to red; and if you have not concluded by that time, we ask that you go ahead and wrap up so we have time for any committee questions there may be. If your remarks were reflected in previous testimony or if you would like the position to be known but do not wish to testify, we offer that you sign the

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white form at the back of the room as it will be introduced into the record. The staff with us today, we're missing our legal counsel today, Mary Jane Egr Edson. She is not with us. To my immediate left is research analyst, Kay Bergquist, and to my far left at the end of the table is our committee clerk, Krissa Delka. Ms. Delka is the one you turn your green form into when you come up to testify. And the committee members with us today will introduce themselves. Again, Senator Burke Harr is going to be absent with us today. Next, Senator Schumacher.

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

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

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

LINDSTROM: Brett Lindstrom, District 18, Northwest Omaha.

GROENE: Mike Groene, Lincoln County, District 42.

SMITH: And Senator Larson at the end of the table, I'm not certain if he will be joining us today or not. Our pages with us today to assist you and to assist us are Heather Bentley from Miller, Nebraska. Heather is a junior at UNL majoring in agricultural economics. And also Joe Gruber. Joe is from Omaha and Joe is a political science major at the University of Nebraska at Lincoln. Reminder that the senators may come and go. They have responsibilities in other committees. So if you see senators get up and leave and come back, please do not take offense at that. They do have responsibilities in other committees. And with that we're going to get started on our first bill of the day. It's going to be LB728 to be introduced by Senator Wayne. It relates to changing individual income tax brackets and rates. Can I just see a show of hands of how many people will be testifying on this bill. All right, very good. And so we're going to use a five-minute time restriction on this one. But of course not for you as introducer of the bill, Senator Wayne. Welcome to Revenue Committee.

WAYNE: Thank you. Thank you, Chairman Smith. It's glad to be back in front of this committee as always. My name is Justin Wayne, J-u-s-t-i-n W-a-y-n-e and I represent the Legislative District 13,

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which is north Omaha, northeast Douglas County. I'm here to introduce LB728 which would add a new tax bracket starting at \$2.5 million a year or higher with an income at a rate of 7.84 per single-- single percentage point higher than those making just under \$29,000. The reason this bill came about was last year during our floor debate was kind of the first year that I learned about our tax brackets. And I thought it was quite honestly ridiculous that somebody who makes \$29,000 is being taxed at the same rate as somebody who makes \$2.5 million. When polled and national studies have showed that the overwhelming majority of Americans support a tax increase in one form or another on the highest tax earners. In fact, our own Warren Buffett has talked about many times that he's indicated he's willing to take a tax increase. The state is facing a fiscal deficit. Year after year, at least the two years I've been here, and this is one way we can add 11 to 12 million dollars a year, and it can continue to grow according to the fiscal note that is attached to the bill. There are a number of states that already have millionaire taxes. This would be the smallest and lowest rate in the country of this type of tax. It would also have the highest tax-- start tax rate for millionaires in the nation. So I took the lowest rate and the highest rate that we could find as far as highest income level we can find to make it fit what I think would work for Nebraska. At the end of the day, you'll hear people talk about this could hurt jobs, this could hurt-- not be a job creator. I don't believe that a marginal 1 percent tax increase on those making \$2.5 million or more a year would have any effect on our economy. And with that I would say vote green [INAUDIBLE] but we're not on the floor yet. With that, I would answer any questions.

SMITH: Thank you, Senator Wayne, for opening on LB728. Questions from the committee. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith, and thank you, Senator Wayne. One of the things that we've struggled with over the years and be yours to struggle with next year, not some of our problems. But there's this thing called the Tax Foundation and they publish a naughty list of who's high in taxes and they take your highest number and that's what they stick you with. And, for example, the inheritance tax thing most all of our inheritance tax, a little county inheritance tax, is 1 percent. It's less than the funeral bill in a lot of cases and helps with property tax relief at the local level. But when you look at the Tax Foundation report, it shows up as 18 percent which is our highest rate that applies to virtually nobody unless you've got a really good girlfriend and you die and you leave it all to an

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unrelated party. And so, you know, when they say Nebraska, high, 18 percent, well, I can see these reports coming out. We're told that businesses look at these things, state of Nebraska, 7.84 percent income tax because they never break down the nitty-gritty in those reports. So how do we combat that?

WAYNE: Well, there's lies, damn lies, and statistics. That's kind of how I operate. I do what I think is best on my conscience and I do what I think is best for Nebraskans. And when I hear some of the most wealthiest people in Nebraska say that they would support a tax increase and they own some of the most successful businesses in the country, then it's hard for me to say that that report is wrong or right. But if they're the ones who's running the companies and they say that they're okay with it, I'm okay with it.

SCHUMACHER: So let me follow up with this because these things are never as simple as they look. Now our top rate right now runs about 6.84 percent so you'd think that our effective rate of tax would be somewhere 6.5, up there in the 6 percents. Well, it turns out it's like 4 point something percent. That's because a lot of the high-end taxpayers pay zero no matter what that number is or maybe 2 percent because they get charitable deductions; we got this thing that nobody understands but it's called a subchapter S deduction. We have ESOP deduction. We've got income tax advantage act incentives. That if you are among the special people who will probably get nailed with the 6, 7.84 percent, you're not going to get nailed to that because you've got a special deal. So when you draft this and then look at maybe redrafting as I'm sure you will because you're concerned with these issues and you're going to probably stick with trying to do something, that's where you almost got to look because the 6, 7.84 percent may not get who you want to get.

WAYNE: Yes, I recognize that. And if this committee wanted to propose a flat tax across the board, that's a conversation I would love to have. But as long as we have brackets, I can't in good conscience go to my community and say if you made \$29,000 and go to somebody else in my community who's worth \$4.5 billion and makes \$10 million a year and say you're taxed the same way when that \$29,000 person doesn't get the same deductibles and tax breaks that that person who makes \$10 million, I can't in good conscience go back to my community and say I'm okay with that tax plan.

SCHUMACHER: And I generally agree with you, but the number is not \$29,000. It's the bracket kicks in after you've run out of your

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exemptions and a bunch of other stuff so I think that number is probably closer to \$40,000; \$50,000 before you actually come undertaxed on a joint return.

WAYNE: Correct. In statute it's for joint it's about 58. But if you include the reductions, you're looking at about 75 before you-- minus the reductions. Correct.

SCHUMACHER: Thank you.

SMITH: Senator Groene.

GROENE: Thank you. You mentioned Mr. Buffett but he also stated that his secretary pays more taxes than he does and that's because of the high percentage of working class people to the, you know, to the Social Security and those other taxes. He didn't differentiate income tax from taxes when he said that. So the point is he pays himself a hundred thousand dollars; he's working all the time; he stays in hotels; it's all business; stays in penthouses; flies all over the place; it's always a business trip. That is how the ultrarich live. He's admitted he pays very little taxes because of his accountant. Looks to me like when I win that lottery finally I'm going to get hit with this. That's who you're going to hit and I plan on winning it.

WAYNE: Well, actually no. Last year when he released his taxes he actually, if I recall and if he's watching, I'm sorry if I misquote his income. But it was about \$11 million and that was initially what we were going to propose is a \$10 million tax bracket. But again we looked at the numbers, we looked at what was out there. Most states who have them only have a million dollar bracket and we thought \$2.5 million to address some of the small businesses and LLCs who do pass-throughs and those kind of things. If you're doing \$10 million, \$2.5 million income I think a 1 percent increase is marginal.

GROENE: How did you come up with \$11 million? Was the Revenue Department able to tell you how much income was over \$2.5 million?

WAYNE: No. Yes. The fiscal note.

GROENE: All right. [INAUDIBLE]

WAYNE: That's a conversation for the Fiscal Office.

GROENE: Thank you.

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SMITH: So, Senator Wayne, I think your exchange with Senator Schumacher you talked about-- he was talking about the effective rate and such. And the point you're making and look at your green copy, an individual that makes over \$29,000, any money that they make over \$29,000 is taxed at that marginal rate today of 6.84. Filing jointly in your green copy, you're roughly \$58,000. The marginal rate for married filing jointly and anyone making over that amount of money they're paying that higher rate. So I think that was a point you're making in your opening testimony is that we have folks that, you know, by all standards--middle class, low income to middle class income--getting hit with one of the highest portions of our rates. Why wouldn't we take the monies that you raise with this new millionaire's tax and buy down those other rates so that those folks in those other brackets don't get hit as hard?

WAYNE: I'm perfectly fine with that idea. I think we can have a conversation around that. This is the starting point. I know there are a lot of discussions around taxes this year. I want to make sure I'm included in those conversations. And anything we can do to help out the middle class and the working class and the working poor I think is a good thing. So, yeah, I would be interested in having that conversation.

SMITH: Thank you, Senator Wayne. Remaining questions from the committee? I see none. Thank you for opening on LB728.

WAYNE: Thank you.

SMITH: We now move to proponents of LB728, those wishing to testify in support. And if you plan to testify, come on forward to the closest part of the room. Welcome, Ms. Fry.

RENEE FRY: Thank you. Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Renee Fry. I'm the executive director of OpenSky Policy Institute and that's R-e-n-e-e F-r-y. Currently the various wealthiest Nebraskans pay a low effective tax rate, much less than the top income tax rate of 6.84 percent. According to the latest Nebraska Tax Burden Study published by the Department of Revenue in November of last year, we know that the top 500 returns only pay a 3.95 percent effective tax rate. Similarly the top 10 percent of taxpayers pay an effective tax rate of 4.86 percent. Nebraska's most affluent taxpayers have very high adjusted gross incomes. The Department of Revenue's Tax Burden Study shows that collectively the bottom 70 percent of earners in the state make less

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than the top 10 percent of earners. The top 500 returns have an average adjusted gross income of over \$7 million annually in 2014 which grew significantly from an average of \$5 million in 2000. Furthermore, wealthy Nebraskans will see large gains from the recently passed federal tax bill that will far outweigh a tax hike such as the one being proposed in LB728. In fact the richest 1 percent in Nebraska taxpayers can expect to receive 27 percent of the federal tax cuts coming to Nebraska. We would also like to point out that there is no evidence that raising taxes on wealthy Nebraskans would cause them to flee the state in droves or that it would hurt the state's economy. In 2013 Minnesota raised the income tax from 7.85 percent to 9.85 percent on individuals earning more than \$150,000 and married couples earning more than \$250,000. Since then Minnesota has seen no erosion of its income tax base or the taxable income of its wealthy residents. In both respects, Minnesota is growing. Additionally as of November 2017, Minnesota had the lowest unemployment rate it's had since July of 2000. This example of Minnesota aligns with other research and nationwide data. U.S. Census Bureau data indicates that 48 percent of Americans cited housing as a reason for moving while 30 cited family; 20 cited employment; and just 2.3 percent cited other reasons which would include taxes. Mark, McGuire, and Papke in 2000 found that choices about where to live in Washington, D.C., metro area were not significantly influenced by tax rates. Young and Varner found in 2011 they looked at New Jersey's millionaires' responses to the state's 2.6 percent tax rate on income above \$500,000 and found negligible impact on these individuals' migration alongside a large boost to state revenue. Another study from Young and Varner in 2016 looked at IRS data from all 50 states over the course of 13 years. They find that millionaire tax flight is occurring but only at the margins of statistical and socioeconomic significance. Millionaires, they find, move at a lower rate than the population as a whole and little more than 2 percent of the elite's migration patterns can be explained by tax hikes. Young and Varner hypothesize that millionaires are unlikely to move due to state tax changes because they have high rates of other factors that reduce mobility. Millionaires are much likely than the general public to be married, have kids at home, and to own a business. So in closing, we support Senator Wayne's bill which would exert a slight tax hike on the very wealthiest Nebraskans at a time where our state faces significant revenue challenges. The data tells us very few people move because of tax rates; and that millionaires, in particular, rarely respond to tax hikes by moving. We do not believe LB728 would harm the state's economy but rather would give us an opportunity to invest additional tax revenue that could go toward

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productive economic investments in our work force like education and job training. I would also mention that Senator Vargas does have a bill that you're hearing next week that would raise top rate but would buy down lower rates like you were suggesting, Senator Smith, and we will be here to testify in support of that bill as well. So with that, I'd be happy to answer questions.

SMITH: Thank you, Ms. Fry. Questions from the committee? I see none. Thank you.

RENEE FRY: Thank you.

SMITH: Next proponent of LB728. Seeing no additional proponents of LB728, we now move to opposition, those wishing to testify as an opponent to LB728. Welcome, Mr. Young.

JOSEPH YOUNG: Good afternoon, Chairman Smith and members of the committee. For the record, my name is Joseph Young. That's spelled J-o-s-e-p-h Y-o-u-n-g. I'm an executive vice president with the Nebraska Chamber of Commerce and Industry here testifying in opposition today of the-- Senator Wayne's LB728. I won't take much of your time. I think it's no surprise that we would come into a bill opposed-- come in in opposition to a bill like this, but I do want to point out a few facts. Nebraskans last year, or in 2016 rather, paid about \$2.2 billion in income taxes. We also think it's important to remember that 90 percent of the state's businesses pay at the individual rate so that would be the second highest rate of all of our surrounding states. When combined with the federal income tax, that rate can now-- since, since tax reform passed on the federal level-- that now can add up to about 43 percent of total income tax with federal and state taxes. So it's not as if we're not paying enough taxes right now. That doesn't, of course, count federal payroll taxes like Social Security and Medicare. So we believe that actually reducing taxes would spark the economy and be a better policy position. So with that I'll be happy to answer any questions.

SMITH: Thank you, Mr. Young. Senator Groene.

GROENE: If you have to know, I agree with you on this one.

JOSEPH YOUNG: Yeah.

GROENE: Do you think maybe we could create some more elected offices and elect some more millionaires so they stay here?

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JOSEPH YOUNG: We sure could do that. I'm not sure that it would be wise but perhaps.

GROENE: Maybe we could expand the Board of Regents or something.

SMITH: That would be a discussion for another committee.

JOSEPH YOUNG: Yeah, I think that's Government.

SMITH: Any remaining questions from the committee? I see none.

JOSEPH YOUNG: Thank you.

SMITH: Thank you, Mr. Young, for your testimony. Any other opponents of LB728, opposition? Welcome, Ms. Fox.

NICOLE FOX: Thank you, Chairman Smith, and individual-- members of the Revenue Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I am director of government relations for the Platte Institute. And I'm here today to testify in opposition of this bill. This bill proposes a millionaire's tax. Currently the only states that levy a higher tax rate on income of \$1 million or more are California and New York along with the District of Columbia. According to research by the Tax Foundation, a millionaire's tax is poor policy because it is narrow, high, and on a highly mobile group of people who can earn-- who earn less in bad economic times. Enacting such a tax makes state tax revenue more volatile and unpredictable. The unpredictability and detrimental economic repercussions of the tax was proven in Maryland when the state tried to address a state budget deficit by enacting a new millionaire income tax bracket. The Wall Street Journal described the result of this tax increase one year later stating one third of the millionaires have disappeared from Maryland tax rolls. In 2008, roughly 3,000 million-dollar income tax returns were filed by the end of April. This year there were 2,000 which the state comptroller's office concedes is a substantial decline. Instead of the state coffers gaining the extra \$106 million the politicians predicted, the millionaires paid \$100 million less in taxes than they did the last year, even at higher rates. The same situation played out in Oregon when they instituted a higher tax rate on high-income earners and according to the state treasury one third less revenue than projected was collected and 10,000 high-income earners left the state. Under the current tax code, Nebraska has the 15th highest income tax rate in the nation and one of the highest in the region. IRS records show that since 1992 a net overall-- a net total of overall \$3.5 billion in

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adjusted gross income has left Nebraska, the majority of which found its way to states such as Texas, Florida, Arizona, Colorado, and Missouri which all lower-- levy lower top personal income tax rates or none at all. If Nebraska increases its top marginal income tax rate, we will see even more money and residents flee for lower tax states. When high-income earners flee to lower tax states, this puts more pressure on the middle class to pay for even more of state government. According to USA Today, Omaha ranks eighth among the nation's 50 largest cities in both per capita billionaires and Fortune 500 companies. In a Lincoln Journal Star article last fall, 12 Nebraska cities were on a list of U.S. metro areas with the highest share of households with \$5 million or more in assets to invest. A study of 2016 wealth concentration ranked Nebraska 24th among states for concentration of wealth. According to the study, Nebraska has 39,000 households with \$1 million or more to invest. If the state decides to pass LB728, there will be negative consequences for our state and we will surely drive away wealth. An ALEC study summed up the result of the millionaire's tax perfectly stating: the high rates inevitably put pressure upon the taxpayer to withdraw his capital from productive business and invest it in tax-exempt securities or to find other lawful methods of avoiding the realization of taxable income. The research and evidence from our other states is clear and this is bad tax policy and not the right decision for Nebraska. I encourage the committee to vote in opposition to LB728. Thank you and I'm happy to take any questions.

SMITH: Thank you, Ms. Fox, for your testimony. Senator Schumacher.

SHUMACHER: Thank you, Chairman Smith, and thank you, Ms. Fox, for your testimony today. It's been-- the phrase has been used a couple times not only in your testimony but prior testimony of millionaires. When you speak of millionaires, are you speaking of someone with a net worth of a million dollars; someone with disposable income of a million dollars or more; or someone who makes more than a million dollars a year?

NICOLE FOX: Taxable income over--

SSCHUMACHER: Tax so the net worth would be--

NICOLE FOX: Could be more.

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SCHUMACHER: Could be a whole bunch more. Okay. So you're using the standard of [INAUDIBLE] actually income.

NICOLE FOX: Correct.

SCHUMACHER: Thank you.

SMITH: Senator Groene.

SGROENE: Chairman, I want to apologize for my comments yesterday to her. I meant I would not expect her to be negative to a tax cut bill, not that she does not do a good job for the Platte Institute. It could have been taken wrong what I said yesterday. But anyway you understand.

NICOLE FOX: Apology accepted, Senator.

GROENE: A previous testifier said that small businesses in Nebraska pay that higher tax rate. So if you got a business making 2.5, 3 million dollars, do you know the distinction in your numbers how many are-- are you just talking individuals here or are you talking businesses? And the fiscal note sounds like they're only talking individuals.

NICOLE FOX: Yes.

GROENE: I'm not sure--

NICOLE FOX: We're referring to individuals.

GROENE: I wish somebody would clarify with that-- does that 11 million also consider businesses?

NICOLE FOX: Yeah, I mean that's my--

GROENE: Fiscal note. All right, I know that--

NICOLE FOX: That's my understanding is we're talking just individuals.

GROENE: Individuals as business owners are also individuals investors.

NICOLE FOX: I would, you know, I would need to clarify that.

GROENE: Thank you.

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SMITH: I see no further questions. Thank you, Ms. Fox. Continuing with opposition to LB728. Seeing no remaining opponents, anyone wishing to testify in a neutral capacity on LB728? Seeing none, we invite Senator Wayne back to close on LB728.

WAYNE: Thank you again, Chairman Smith. To me this is commonsense legislation. We talk about millionaires being mobile and millionaires leaving the state where the best tax rates were. There's plenty of states that don't have income taxes and not every millionaire flocks there. There's other reasons why people stay, other reasons why people invest in the communities that they are in. But I would argue the reverse that me-- people at \$29,000 as a single, especially if you're-- or \$58,000 household, are struggling with a 6.8 percent tax while people making millions of dollars, as was stated based off of our own data, the top rate 10 percent is only at 4.86. We have to find balance and that's what I look forward to having more conversations about it. But I think \$2.5 million tax bracket is reasonable and 1 percent of \$2.5 million I think is okay. What I heard in opposition testimony was assets and wealth. That's not what we're talking about here. We're talking about if you actually make \$2.5 million or more you might have more assets, you might have less assets. But at the end of the day, we're talking about actual income. I thought more about what Senator Groene said about if you hit the lotto I'm sure you'll take that lotto if you only have to pay 1 percent on that. I know I would. That's all I have.

SMITH: Thank you, Mr. Wayne. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. The presumption, Senator Wayne, of a million-- the person with a million dollars-plus of income, or what you have here is I think \$2.5 million, that they have it every year. That's their job. That's their salary. What the data doesn't show is that probably many, many of those people are one-time millionaires. They sell their farm and that's when they cash out. Some of them wait until they die to sell their farm and then they get a stepped-up basis. But those who sell their farm while they're alive, those who maybe worked to build a business and they sell that in one year and they essentially cash out their retirement, and Nebraska does not give a tax break for capital gains, so all of a sudden that person cashing out their lives' work or their lives' appreciation is going to get clipped with the extra percent and they'll never ever do it again in their life because they're cashing it out. And so they're not a millionaire in the sense of I get a million dollars every year, every

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year, every year because I'm a football coach or something. And so, you know, we're kind of lumping everybody who happens to occasionally or once in a lifetime have an income of a million dollars or more in the same boat with somebody who's got an expected annual income of a million dollars a year.

WAYNE: I agree and I think next year when a similar bill like this will come back I am going to break down those who are typically in the millionaire category and all the additional tax breaks they receive. And you are right that not every year does somebody, even businesses don't hit that 2.5 every year. That's the nature of taxes, nature of the ebb and flow. That's also the reason why we picked 2.5 because we recognize million to 2 million in some small businesses fluctuates heavily. But after that 2.5 I think even a small business with the flow through 1 percent increase is not as marginal to me.

SCHUMACHER: But we have some people who would be clipped the 7.84 percent and you turn right around and some people if they're in on this ESOP or whatever they call it picnic that costs the state \$25 million a year, they get zero on their lifetime savings through their stock option plan or whatever.

WAYNE: Correct.

SCHUMACHER: So as you can-- there's a lot of work that needs to be done on this stuff.

WAYNE: Correct or simply just go with the flat tax.

SMITH: All right, Senator Wayne. We do have some letters for the record to read in and proponents of LB728: Jenni Benson representing the NSEA and opponents of LB728: David Brown representing the Greater Omaha Chamber and Bruce Bohrer representing the Lincoln Chamber of Commerce. And with that we'll close the hearing on LB728. Thank you for joining us today.

WAYNE: Thank you. Thank you for having me first on a Friday.

SMITH: You bet.

WAYNE: Because I'm last in Judiciary on Friday.

SMITH: The next bill up is going to be LB684 to be introduced by Senator Blood. It relates to changing the Beginning farm-- Farmer Tax Credit Act. Can I see a show of hands the number of people that will

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be testifying on this bill. All right, very good. I think what we're going to do is go ahead. We're going to probably limit it to about three-minute testimony. We do have one other large bill after this one so we're going to start with an opening from Senator Blood as an introduction to LB684. Welcome, Senator Blood.

BLOOD: Thank you, Chairperson Smith. Good afternoon to the Revenue Committee. My name is Carol Blood, that's spelled C-a-r-o-l B as in boy, l-o-o-d as in dog and I represent District 3 which is western Bellevue and southeastern Papillion. Today I bring you LB684 which involves a beginning farmers tax credit. This bill combines two populations in Nebraska that greatly benefit the state. It's no secret that I'm a strong advocate for the military. Offutt Air Force Base is literally in my backyard. What you may not realize is that I'm also a strong advocate for the state's farmers and ranchers. That's why I'm so glad-- I'm glad you walked in on this part-- I have been able to serve as cochair on the Legislature's Ag Committee. LB684 aims to help both the farming community and our military community. The bill does this by seeking to expand existing beginning farmer tax credit by adding a 1 percent incentive for property and land owners who rent agriculture property or assets to a qualified beginning farmer who has served in the armed services. Applications under the existing tax credit program will not be approved after December 31, 2022. As many of you know, the beginning farmer tax credit was enacted into law in 1999. It was created to address the concern of Nebraska's aging population of ranchers and farmers and who would be their successors. The current Beginning Farmer Tax Credit Act provides a state income tax credit each year to landlords when they rent land or ag assets to eligible and approved farmers who are just starting out. Currently these property owners receive a 10 percent credit of the cash rent each year for three years or they can receive a 15 percent credit for the value of the sharecrop rent or cow/calf share rent each year for three years. The forecasted marketing year average price is provided as a guideline on the NextGen website for what a reasonable price expectation may be for the upcoming marketing year and is to be used to calculate the tax credit on a sharecrop lease. The lease must be a minimum of three years. A seven-member board of directors reviews all applications and approval is based on the guidelines provided in the act. As you may remember, last year the regulations were simplified and also the succession plan was clarified. The net worth requirement was also decreased to \$175,000 from \$200,000 which surprisingly did not impact the number of eligible applicants. Depressed commodity prices have affected farmers and ranchers and their bottom line and

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net worth. Yet there is still a 28 percent increase in applications last year over the previous year. The qualified beginning farmer is also eligible for a separate personal property tax exemption for personal property use in production agriculture or horticulture valued up to \$100,000 may be exempted from Nebraska personal property taxes and the exemption may be received each year for three consecutive years. The act currently does not include an extra incentive to sell or rent to beginning veteran farmers in Nebraska. So as stated, this proposed revision would increase the tax credit for property owners to an 11 cent and 16 percent respectively if the property is rented to a qualified beginning veteran farmer. You should know that just like the military, farming and ranching is a lifestyle occupation. It is an occupation that requires passion, discipline, and sense of service. And let's face it. For many veterans, returning to rural America is simply a return home. If you review the U.S. Census Bureau demographics on veterans, you'll note that 24.1 percent of veterans live in rural areas across our nation. Of the nearly 5 million veterans that call rural communities home, 26.4 percent live in Midwest states. In Nebraska the number is actually slightly higher at thirty, 33.4 percent. Of the 2.5 million veterans who've returned from service in Iraq and Afghanistan, nearly one half of them live in rural counties. However while opportunities may exist for these veterans of working age to enter ag and farming, according to the USDA only 2 percent of rural veterans of the Gulf War and Iraq work in the sector. Now here's the staggering facts. It's estimated that half of all farmland in the United States will change ownership in the next 25 years. This will present a significant opportunity, opportunity for new veterans and ranchers to gain access to land by partnering with landowners as they look to transition ownership. According to the USDA, more than half of all cropland in the United States is rented and one quarter of rangeland is also rented. If you look at 80 percent of the rented farmland owned by nonoperator landlords, 38 percent of them are retired farmers. The beginning farmer tax credit has helped bring together retiring and beginning farmers while countering the trend of farm consolidation and the aging Nebraska's farmer population. The reporting information available shows us that between 2007 and 2012 Nebraska experienced a 5 percent increase in the number of farms in the state. During those same years, there was a 10 percent increase in the number of new farmers in Nebraska. As of 2012, the average age of Nebraska farmer was 55.7 years, making the state's farm population actually the youngest in the nation. To expand the tax credit means that we could provide one more tool to support these potential farmers. Farm bills at the federal level have recognized

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veterans as a distinct class of beginning farmers, creating a number of loans, outreach assistance, and training programs specifically available to vets interested in working the land. Organizations such as AgrAbility are available to help those veterans with disabilities who need to address hurdles that may make it harder to farm by providing accessible equipment and training. I want to share with you just a few of the other resources available for these potential farmers. The Farmer Veteran Coalition is a national program dedicated to help mobilize veterans to increase their awareness of agriculture and help them break into the agricultural, agricultural industry. The USDA also has a Web site for new farmer veterans that includes programming and resources. Since many veterans are looking for ways to provide for themselves and their families and address the physical, mental, and emotional scars of war, Beginning Farmers is yet another organization trying to help them find a new calling. The Veterans Urban Farming Project is dedicated to two goals: enabling female and male veterans with the ability to derive the full range of financial benefits from self, for self-sufficiency and to overcome the emotional, mental, and physical scars of war while transitioning back to civilian life. Many servicemen and women are struggling with mental health issues after their tours abroad. This epidemic is claiming the lives of more veterans than the most recent wars themselves. With the growing need for effective mental health services, many veterans are turning to alternative forms of green treatment in outdoor settings. Ecotherapeutic therapy has proven successful, an ideal treatment for veterans struggling with posttraumatic stress. Ecotherapy is an umbrella term to encompass many outdoor approaches and it's one that includes farming, ranching, and horticultural activities. Current clinical professionals in the mental health field have been combining the healing powers of both therapy and nature and have found it to be a positive and beneficial to mental health. The need for more effective mental health treatments in our communities is an issue military members and veterans face. Many, especially from rural communities, find the outdoor recreational modality to be one that is recognizable and comforting. Challenging themselves physically and mentally and striving to attain a goal is familiar to most with the military background. Many of the programs I've discussed and a long list of others provide strong funding revenues that when partnered with programs such as a veteran farmer tax credit greatly increases the potential for a veteran farmer's success. It's much like planting a seed on a farm: You plant the seed, you nourish that seed, and it pays you back tenfold because you did, did the work that was needed to make it grow. We can plant the seed, meaning a small investment; and

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when that seed flourishes, we're going to get it back tenfold. We're paid back by keeping one more parcel of land useful and the owners of that land in Nebraska are receiving an average of \$250 per acre for those who cash rent. We are paid back by producing more food that feeds the world. We're helping a veteran feed and provide for himself and his own family since the median yearly income for Nebraska farmers is \$45,703. And for those suffering with PTSD or other combat-related disabilities, we're providing a way for them to reenter our communities while providing a safe and healing environment. That, my friends, is a powerful mission in itself. And so I ask you to please consider all of these things when you discuss this bill in Executive Session. And it is my hope that you will vote it out of committee and onto the floor for full debate. Let's do this for Nebraska, Nebraska veterans who didn't think twice when it came to serve, came to go and serve our nation. Now it's time for us to serve our veterans. Thank you for your time and I will stay for my closing. Should you have any questions, I'd be happy to answer them.

SMITH: Thank you, Ms. Blood, for your, Senator Blood, for your opening on LB684. Questions from the committee? Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you, Senator Blood, for bringing this bill. Do you happen to know what the limit is that we've set now on the amount of these credits issued each year?

BLOOD: I did ask that question. I did not get that answer but I can tell you what has been spent since the beginning of the program if that's helpful.

SCHUMACHER: That won't do us any-- I seem to think it's somewhere in the neighborhood of \$6 million a year.

BLOOD: That was capped at.

SCHUMACHER: It's a fixed amount.

BLOOD: Right.

SCHUMACHER: So, and the fiscal note says that there's going to be no fiscal impact so I suppose that it's used up now or nearly used up so it won't make a difference. So isn't what your bill really doing by raising the percentage rate just taking that \$6 million and spreading it over fewer people?

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BLOOD: You know, you definitely look at it that way, but you can also look at it that you're bringing a new demographic into an area that severely needs additional people to come and participate in it.

SCHUMACHER: You already have it. The 1 percent difference probably won't make much difference. The total amount isn't going to change the number. If, it's probably a first-come, first-serve basis or something like that. When they give \$6 million--

BLOOD: It's over, yeah.

SCHUMACHER: It's over and fewer people can hit it if you give each one a bigger bite of the apple.

BLOOD: You know, we're not talking about a hundred people that are going to line up for this. We're talking about a smaller handful of people and I appreciate what you're saying. But I also know that sometimes we have to make special exceptions for special demographics, and I feel that the veterans in Nebraska are a special demographic. There are a lot of success stories of veterans who come to Nebraska to farm. And, yes, indeed that small percentage which is very minute does make the money have to spread across a smaller amount of people. But the same token if we're bringing new demographic into our farming community, are we not investing in Nebraska and in the long run reaping more money?

SCHUMACHER: Who gets this credit, the beginning farmer or the ending farmer? Who gets to apply it on their income tax return?

BLOOD: The beginning farmer but the ending farmers puts back into our community by staying a farmer. We're setting him up for success.

SCHUMACHER: The farmer that is selling his land to the beginning farmer--

BLOOD: Renting his land.

SCHUMACHER: --or renting, if he's renting his land out, he obviously--

BLOOD: He's cash renting.

SCHUMACHER: --isn't farming anymore. And he's renting it to the begin, my question is very simple. Who gets to take the credit on the tax return-- the ending farmer, the landlord, or the renter?

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BLOOD: Both in different ways, which I said in my opening.

SCHUMACHER: There is only one tax return. Who gets to write it on their tax return credit? This is a credit. You get to take it off your income tax.

BLOOD: The tax credit goes to the person who's cash renting the property.

SCHUMACHER: You think it goes to the beginning farmer.

BLOOD: No, I do not think it goes to the beginning farmer. I think it goes to the person who is cash renting out his property.

SCHUMACHER: To the landlord.

BLOOD: The landlord, excuse me, I'm not using the correct phrase.

SCHUMACHER: Okay, thank you.

SMITH: I see no further questions. Thank you, Senator Blood, for your opening on LB684. We now move to proponents of LB684, those wishing to testify in support of LB684. Welcome, Mr. Hansen.

JOHN HANSEN: Good afternoon, everyone. 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 their lobbyist. We work with-- the handout that I'm giving you is just some background things and kind of the goals and mission of the Farmer Veteran Coalition. We work with those folks at the national level. We've worked with USDA to try to be more inclusive and to basically do anything we can to put out the welcome mat for veterans to get involved in agriculture. And as you know, we in agriculture continually struggle with the issue of beginning farmers and how to take a capital intensive, high-risk business with low profit margins on a good year most years and try to, you know, get new folks started when you have a big capital investment hill to climb. So the, we have been a part of I think all, all of the beginning farmer efforts here at the state level since I started getting involved in the early 1980s, including this one. And each and every time we do this if we had our druthers we would do more. And so we view this bill as pretty much a welcome mat. So we, we kind of expand the demographic a bit to make sure that if there is any other eligibility requirements that are at conflict that you clearly have the welcome mat out to veterans. And so that's the primary benefit of this. And so when I talked to Donn Teske who's the president of the

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Kansas Farmers Union, the vice president of National Farmers Union, and on the board of the Farmer Veteran Coalition, he said that, you know, we're trying to do things similar in other states to try to help do whatever we can to make sure that veterans are eligible for programs that do exist and let them know that, that this program is available and that we would be glad to try to make sure that it fits for you. And so that's the spirit that we support this. We thank Senator Blood for bringing the bill and would encourage the committee to give it favorable consideration. With that, I would end my comments and be glad to answer any questions if you have any.

SMITH: Thank you, Mr. Hansen. Senator Friesen.

FRIESEN: Thank you, Chairman Smith. Mr. Hansen, it's probably going to surprise you when I say this but I don't like any of the beginning farmer programs. I've looked at them a lot. I've seen too many cases where the retiring farmer takes advantage of that beginning farmer. So I've tried to look at programs that you can design somehow that don't let them do that. I don't think there is any. And I will say as a producer it's my job to make sure they get started farming. We don't have a beginning hardware owner program for those businesses that want to pass their business along. You know, if we want, if we want our businesses to succeed in the next generation, that's our responsibility. I take it seriously. We talk a lot about farms getting too large and there at the same time when guys retire they rent it to the largest farmer. In the end, it's our responsibility. So I-- can you, can you tell me that these programs and I-- I like the idea of helping veterans. I do. But in the end, can you tell me that these can't be abused and that the landlord doesn't take advantage of the situation?

JOHN HANSEN: Senator, and I may shock you but I pretty much agree with everything you said. And it's inherent in all of the conflicts and all of the programs and all the things I've been involved in in order to try and make things work. So it's always the art of the possible. And so the three-year requirement helps give a running start. I have some comfort with that. I'd be glad to make that, if I had my druthers, I'd make that longer. So in my case I do take that responsibility seriously. We don't use this program. In my case where I'm trying to get my nephew started because I didn't want to take money away from somebody else who needed it worse than we did. And I said, you know, we're-- we're going to do substantially more than that to get the next generation going. But you're, you're, you're trying to kind of level

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the playing field between that retiring farmer who in some cases that rent that they get is that's their retirement. They don't have the retirement program. They didn't make enough money to have substantial IRAs. And so a lot of cases the farm rent is, is their, that is their whole retirement income. That is their portfolio. So you're trying to equalize that rent between that big farmer who in most cases unfortunately doesn't really much care about whether or not a beginning farmer gets started at all but will pay more money. And so you're looking at that, that small amount differential there is maybe enough to just tip it enough that at least the landlord, in this case the retired farmer, says, well, there's-- there's a benefit for me to not only do what I kind of wanted to do anyway. But here's enough incentive that it's worthwhile to do. I agree with a lot of your sentiments and I-- this program is what's in play. It's what we have to work with. And so given what we've got it's been a struggle to get this. I'm not sure that it's-- certainly not. If I were to design it wouldn't be exactly what we would want. But it's, we supported it in the end because it's all we could get. But I think that the idea of the welcome mat to me which is the reason why I couched it the way I did is the way we look at it and say if we're going to have a program let's put out the welcome mat for veterans.

FRIESEN: Okay. Thank you.

SMITH: Senator Groene.

GROENE: Thank you, Chairman. Senator Schumacher and Senator Blood referenced that there's an \$8 million cap on this. Do you know has it been ever reached or is it used up every year? I don't--

JOHN HANSEN: I don't know.

GROENE: I don't think it is, is it?

JOHN HANSEN: I do not know. I apologize but I did not-- do I know who to call and check if he didn't call and check?

GROENE: This one doesn't reference that at all about how much it has been in the past so I thought maybe you would know.

JOHN HANSEN: I refer people to this program, but I've never checked to see whether it gets all used or not.

SMITH: I see no further questions. Thank you, Mr. Hansen.

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JOHN HANSEN: Thank you very much and good luck to the committee on every mission that you have.

SMITH: Thank you. We continue with proponents of LB684, those wishing to testify in support of LB684. Welcome.

CORA FOX: Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Cora Fox, C-o-r-a F-o-x. I'm a farm policy associate with the Center for Rural Affairs out of Lyons, Nebraska. As an Air Force veteran and the sixth generation on my family farm, I am proud to read into the record a letter of support from Dan Hromas. Dan is a veteran farmer and the owner of the Prairie Pride Poultry which is located outside of Grand Island, Nebraska. In 2013, Dan started Prairie Pride Poultry with a mission to provide healthy farm fresh eggs to consumers. Dan's success as a farmer not only lies on his motivation to produce healthy food for Nebraskans but was also fostered by organizations such as the Nebraska Sustainable Agricultural Society, the Farmer Veteran Coalition, and the state of Nebraska, all of whom have assisted Dan in developing a farm business plan, establishing relationships with other farmers, and provided mentorship. As a result of his experiences with those organizations, Dan has tried to help other veteran farmers get started as well. Here are Dan's words. Dear Senator Blood, on behalf of all Nebraska veteran farmers I would like to thank you for introducing legislation to expand opportunities for veterans looking to begin farming. My dream of becoming a farmer after my service in the Marine Corps and Army came about in part because of opportunities like this that helped make it possible. One of my fondest memories as a child was visiting my grandparents' farm and caring for the chickens. This memory remained with me as I traveled the world with the military and saw firsthand the universal joy that comes with eating good, wholesome food. As my time in the service came to an end, I sought a way to make this passion for growing food a vocation. However, starting a farm after decades in the military is a challenge. If it was not for the support of programs through Nebraska Vocational Rehabilitation, the United States Department of Agriculture, and a variety of veteran farmer networks, I would not have been able to start a farm. Building upon these programs that brings veterans and farmers together like the expansion of the beginning farmer tax credit for veterans will provide the opportunity needed for the next veteran farmer to get started. I am proud to see Nebraska taking steps to expand the support of beginning veteran farmers. Very respectfully, Dan Hromas.

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SMITH: Thank you, Ms. Fox, for your testimony. I see no questions from the committee. Thank you.

CORA FOX: Thank you.

SMITH: Next proponent of LB684. Welcome.

MARIEL BARRERAS: Thank you. Good afternoon, Chairman Smith and Revenue Committee. Excuse me, I have a cold. My name is Mariel Barreras. That is M-a-r-i-e-l B-a-r-r-e-r-a-s. I'm reading this letter on behalf of my husband Lieutenant Colonel in the United States Army. We grow pasture, raise organic and hormone free sustainable farm products for direct retail and wholesale customers in the Omaha and surrounding areas. And so this letter is on behalf of my husband and our family. Dear members of the Revenue Committee and Senator Blood, First, I would like to thank you as a currently serving member of the United States Army and farmer for presenting legislation to assist veterans in building on a dream of farming. For many veterans, that dream begins with time spent on a farm during their childhood or an opportunity presented to them during their time in service to our nation. For me that dream started while spending summers on my grandparents' ranch in northeastern Arizona and has flourished with my wife and I providing quality food products for our children. The opportunity to farm and grow Barreras family farm has come with many of the same traits needed to excel in military service: initiative, creativity, organization, and a dedicated, dedication to quality in every task completed. Our growth and knowledge comes directly through the assistance of programs and initiatives like the one presented with the beginning farmer tax credit for veterans, for veterans, the Center for Rural Affairs' annual veteran farmer conference, USDA programs, and other programs built around fostering veteran and farmer networking. The path to become a farmer often comes with many challenges of which the biggest being access to land to grow crops, raise animals, or have an orchard. The beginning farmer tax credit for veterans is one step in the right direction for many veterans to fulfill their dream of becoming a farmer and leveraging those valuable traits honed over years of service protecting the citizens-- thank you-- of the United States and now to feed them with the same passion and determination. I am proud to see Nebraska leaning forward in its support for veterans. Very respectfully, Anthony L. Barreras, Lieutenant Colonel, United States Army. Thank you. And I'm open to any questions.

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SMITH: Thank you, Ms. Barreras. Questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairman Smith. You list here saying the biggest challenge is access to land.

MARIEL BARRERAS: Correct.

FRIESEN: And with the capital that it takes to buy land, obvious that's most farmers' biggest hurdle to overcome so to speak. So in the, in the end when you, when you are able to rent a farm or I don't know your situation but would the farmer-- was he going to rent it to you anyhow and would he have made sure it was a fair market value because he wanted you to take over the business? Or do you think the tax credits actually made the difference in you being able to do this?

MARIEL BARRERAS: Actually the tax credit made the difference in us losing being able to rent land. We currently own 10 acres in north Omaha. But it is not enough property. Land is very expensive and we want to stay here. But farmers are selling for developmental and not to other farmers for one thing. This might be the right committee or not, but Nebraska also taxes veterans' retirement which makes a big difference also. So we have been looking at land to rent because we come up for retirement here soon. We found a piece of property down near Grand Island and we lost it to another farmer. It was equal. It was 10 percent, 10 percent I believe and they rented it to them. So that's fine. We're still looking but we can't grow until I have more property so our income is stagnant right now.

FRIESEN: Yeah. I see your situation and I know you have a niche market what you are doing and you need to be close to those high population areas and that's where the land is priced the highest. But I do think if you keep looking there are opportunities out there. But--

MARIEL BARRERAS: We are. We have never met a challenge that we haven't been able to overcome.

FRIESEN: Appreciate you willing to try.

MARIEL BARRERAS: Sure.

FRIESEN: Thank you.

SMITH: Senator Brasch.

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BRASCH: Thank you, Chairman Smith. I wanted to thank you for coming today to testify. You sent this also as an e-mail I believe.

MARIEL BARRERAS: Maybe through CRF.

BRASCH: Is that-- Okay. And is your husband here with you today?

MARIEL BARRERAS: No. He's currently on a mission overseas.

BRASCH: And this is what I was asking. Please thank him for his service--

MARIEL BARRERAS: Of course.

BRASCH: And for your support and for taking the time to come here today. I don't have any other questions.

MARIEL BARRERAS: Sure. Thank you.

BRASCH: Thank you.

SMITH: All right, very good. Thank you for your testimony.

MARIEL BARRERAS: Thank you.

SMITH: We continue with proponents of LB684. Welcome.

JORDAN RASMUSSEN: Welcome. Thank you. Sorry. Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Jordan Rasmussen, J-o-r-d-a-n R-a-s-m-u-s-s-e-n. I'm a policy associate with the Center for Rural Affairs. Before I dive into formal testimony, I wanted to address a couple of the questions that came up. There is currently not a limit that is set on the tax credits that are on the program that is in place. The \$8 million mark that has been reached, that is just the number that has been distributed over the-- since the program was created in the early 2000s so there is not a cap on that at this point. Also to address the question of whether who receives the benefit in addition to the lease-- lessor receiving the benefit, there is also for the beginning farmer there's a hundred thousand dollar personal property tax exemption that happens as well. So there is, there is a benefit to the beginning farmer in this, in this in addition to being able to access additional land. So Nebraska is home to more than 133,000 military veterans accounting for nearly 7 percent of the state's population. Nearly half of those veterans live in rural or frontier counties where opportunities for farming and ranching are

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most pronounced. Farming and ranching provides employment and entrepreneurial opportunities in which veterans returning to rural areas can translate the training and skills which they acquired during their military service to a second vocation. Returning veterans interested in farming provide rural Nebraska communities with an opportunity for economic and population growth. As we discuss the NextGen program, this program has definitely come forward and recognized both the challenges and opportunities of farm transition and they have over that time period since the early or late '90s or early 2000s there's been more, more than 450 new farmers and ranchers that have been brought into the industry. That's a significant portion of the population, farmer population. It's also brought the age of the average farmer down here in Nebraska. Moreover, the economics of the program have also paid dividends. In 2015 alone, there was \$8 million that was paid in rent by 145 beginning farmers and ranchers. That's money that's going back into our economy. However, we believe the state can do more for our beginning veteran farmers. Building upon the successful framework created by the NextGen program, the addition of a 1 percent incentive for landowners who rent to beginning veteran farmers gives back to those who have sacrificed so much for our country. This also benefits the communities they call home and the mentors who are looking to, to share opportunities in farming with the next generation of rural residents. By increasing the existing beginning farmer tax credit by a nominal 1 percent, the Legislature has the opportunity to not only continue to grow the state's agricultural community but to also demonstrate the gratitude which we all have for those who have so valiantly served our nation. Thank you for your time this afternoon and welcome any questions you might have.

SMITH: Thank you, Ms. Rasmussen. Senator Groene.

GROENE: Does your organization help these, these veterans and young farmers?

JORDAN RASMUSSEN: Yes. So we have for a number of decades we have been working with veterans and farmers, young and beginning farmers to get started.

GROENE: So how does the process work? Young farmers out there, retires from the military like one of the last and they got this piece of paper and they see some farm up for rent so they call the individuals renting the land and says I'm a veteran. I want to start farming. I

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would like to talk about renting this, but I have an opportunity for you if you rent it to me. Is that how it works?

JORDAN RASMUSSEN: It's, it works both ways. I think, you know, it's also a proactive measure for the farmer that's looking to rent to seek out a veteran as well. That-- again, identifying those landowners and those that are looking to rent can be a challenge. But we feel that being able to talk about these programs that there's an increased awareness that happens--

GROENE: But how does a veteran know? I mean, do they advertise?

JORDAN RASMUSSEN: Yes, yes.

GROENE: The farmer says I want to, I want to, I want to help a young farmer. Is there a Web site or something and then you match them up or what?

JORDAN RASMUSSEN: Yes. The NextGen program, they do actively market. They're at all the conferences. I believe Carlos will come up here in a few moments and probably can address that better than I can but there's that network. There's also, we have, the Center for Rural Affairs has a beginning veteran farmer network and there are a number of other places where we can plug into those populations to connect, to connect veterans with landowners.

GROENE: Thank you.

SMITH: Next. Oh, Senator Friesen.

FRIESEN: Thank you, Chairman Smith. Do you track the success rate of those that have found land to rent somewhere? Have they, have they maintained their business? Are they sustainable?

JORDAN RASMUSSEN: I have not. I don't have those numbers.

FRIESEN: Okay.

JORDAN RASMUSSEN: I'm sorry.

FRIESEN: Thank you.

SMITH: I see no further questions.

JORDAN RASMUSSEN: Thank you.

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SMITH: Thank you for your testimony. Next proponent of LB684. We do have letters for the record that were submitted in support of LB684. Proponents include, proponent letters include Richard Murphy representing Veterans to Farmers; Michael O'Gorman, Farmer Veteran Coalition; Pamela Hess, Arcadia Center for Sustainable Food and Agriculture; Daniel Hromas; Colonel Dan Donovan representing Heartland of America Chapter of Military Officers Association of America; and Bryon Line and Bud Clouse representing the Nebraska Democrat, Democratic Veterans and Military Families Caucus. We now move to opponents, those wishing to testify in opposition to LB684. Seeing none, we go to those wishing to testify in a neutral capacity. Anyone wishing to testify in a neutral capacity? Welcome.

DON ANTHONY: Thank you, Chairman Smith. Members of the Revenue Committee, I am Don Anthony, D-o-n A-n-t-h-o-n-y. I chair the Nebraska Beginning Farmer Board. I'm here to testify in a neutral capacity on LB684. The board is responsible for administering the Beginning Farmer Tax Credit Act. We approve or deny applications based upon applicants meeting criteria set forth in the act. We review and evaluate all eligible applications without prejudice or bias in accordance with the guidelines set forth in the act and seek to carry out the intent of the act to the very best of our abilities. Relevant to this proposal, we would continue to perform our duties in a credible manner and to promote the additional incentives for potential beginning farmers who meet the status of veteran as defined in the proposed statute. The review and evaluation process of the beginning farmer tax credit applications would continue as currently implemented allowing for the additional tax credits for veterans as stated in the proposed statute. Thank you for your time. And I'd be glad to answer any questions.

SMITH: Thank you, Mr. Anthony, for your testimony. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith, and thank you, Mr. Anthony. The amount of credits is unlimited?

DON ANTHONY: Yes. There is no cap on it.

SCHUMACHER: And what was the highest year that you've ever reached?

DON ANTHONY: I believe the highest year was a little over \$1.3 million.

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SCHUMACHER: \$1.3 million. So the program must not be-- How many people got that money?

DON ANTHONY: In that given year I can't give you the exact number. We've had 460 individuals since 2000 go through the program.

SCHUMACHER: 460 since 2000?

DON ANTHONY: Since 2000-- through 2016.

SCHUMACHER: And when did it start?

DON ANTHONY: The year 2000.

SCHUMACHER: So 16 years.

DON ANTHONY: Right. The first few years, Senator, if I can add just a little color, the program was much restricted compared to what it was and our application rate was very low. When we opened it or you opened it in 2008 or 2009 to related parties, the number of applicants grew dramatically. And so you can't take 16 and the 460 and say that's the, the average rate but I can't give you those numbers. If you, our staff may be able to if you would like those numbers sent to you.

SCHUMACHER: So basically if it was very-- before it was related parties, the numbers were real low. Once it became related parties, the numbers got bigger.

DON ANTHONY: Yes.

SCHUMACHER: So basically we're subsidizing the landlord to rent to this kid.

DON ANTHONY: In many cases it can be. But the program, if I may, we did do a survey in 2015; and we were able to reach 86 past applicants or past users of the program and 99 percent were still farming and 85 percent were still farming the asset that they were able to get into the program. So from those statutes or those statistics, you know, we have to feel that we're doing what the act intends. If you senators wish to change the intent, we'll deal with that.

SCHUMACHER: We almost expect that. Once you set up your kid on your farm or any other business for that matter, the likelihood is pretty good they're going to stay there. And so internally what this is

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almost indicating is we are subsidizing you to set your kid up in business.

DON ANTHONY: But you also have to provide a, part of the restrictions you have to provide a succession plan to where that applicant will get that land. And it becomes a problem when Grandpa rents to beginning farmer because oftentimes grandfather doesn't want the whole farm to go to just one heir. And that's one of the things that we have seen struggles with. So it's not as straightforward always as it looks.

SCHUMACHER: Then you work around that with LLCs and trusts and things like that.

DON ANTHONY: Not very effectively.

SCHUMACHER: Thank you.

SMITH: I see no further questions. Thank you for your testimony today.

DON ANTHONY: Thank you, Senators.

SMITH: Appreciate you being here. Others wishing to testify in a neutral capacity. Seeing none, we invite Senator Blood back to close on LB684.

BLOOD: Thank you, Chairperson Smith. Senator Schumacher, actually the year he was talking about that was close to was actually 1.140 million. There were 233 owners receiving tax credits that year. And I appreciate the clarification on the cap. I found it unbelievable that there wasn't a cap either. And so when you asked it and that's the only answer I had was what I had gotten from the Department of Ag. But when we got the fiscal note, I think it was clear. I want you to know, too, that in 2016 they did receive 74 applications and I did the math. Out of that 74, 61 were approved; 13 were withdrawn. That means we're running at about an 82 percent approval rating to kind of give you a feel for how many people are actually applying. I-- and I agree with you in reference to I think we can do better with the programming. I'm not a big fan of tax incentives, but I believe that this is yet another tool that we can utilize for now until we can do better. And I'm looking at what we can do better and I hope maybe we can work together on that. But with that said, I want to bring it back to the military aspect of it. One of the things, and I know Senator Smith is very familiar with this, in our area the military plays a very important role in not just our local economy but the state economy.

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And we hear a lot about missions and runways and those things are very important. But also what's important in BRAC rounds is making sure that our state is designated as a military friendly state. And there's a lot of low hanging fruit that we can do that has little impact on our budgets, if anything on our budget, such as the interstate compacts that I've been pushing and this that we can do that gives us one more notch in that designation. I'm going to continue to work with Department of Defense on things like this. I hope you'll consider what would happen if we were to lose Offutt Air Force Base. We think we have budget woes now. If we lost that income, the entire state would be impacted. And so I ask you to weigh the magnitude of that, the small impact of this, but the big impact it would have in these farmers' lives.

SMITH: Thank you, Senator Blood, for your closing on LB684. Seeing no further questions from the committee, that closes our hearing on LB684. We will allow for just a little bit of a transition here. While we're doing that, can I see a show, show of hands-- I'll let it get settled here for just a moment.

[BREAK]

SMITH: All right. So can I see a show of hands of those, of the number of people that are going to testify in any position on this bill today. Okay. Very good. What I would like to do, I'm going to kind of follow the format that we used yesterday in here and it worked out pretty well. We're going to have introductions on the bill and then we're going to go through five proponents of the bill and then we're going to swap over to five opponents of the bill. We're going to do that until we satisfy those that are here to testify on this bill. That worked out pretty well yesterday and I'd like to try to use that process again today. And we're going to limit testimony to three minutes on opposition and support on the bill. So with that, welcome, Senator Brasch, before your committee on LB804 dealing with including elementary and secondary schools in the Nebraska Educational Savings Plan Trust and change tax benefits. So welcome, Senator Brasch.

BRASCH: Thank you, Chairman Smith and member of the Revenue Committee and others will return I'm certain. My name is Lydia Brasch, spelled L-y-d-i-a B-r-a-s-c-h, and I represent the 16th District in the Nebraska Legislature. LB804 is a bill to give Nebraskans the full benefits of changes in the federal tax law regarding state-sponsored 529 educational savings plans, specifically the Nebraska Educational Savings Trust commonly referred to as NEST. This expands the NEST 529

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plan to include tax-free distributions of up to \$10,000 per year to pay for tuition at K-12 private and parochial schools. Currently Nebraska law only provides favorable tax treatment for NEST accounts if they are used for qualified higher education expenses at public or private colleges, universities, community colleges, technical schools, or graduate programs. The bill's operative date of January 1, 2020, with the amendment I'm offering today would disallow any tax deduction for contributions made prior to 2020 that are intended to be used to pay tuition at an elementary or secondary school and include a question on the appropriate tax returns for 20 or 18-- 2018 and 2019 asking if the contribution is intended to be used for elementary or secondary school tuition. I want to explain that it will be an additional line added to your tax return asking if the contribution is for elementary or secondary school tuition. I believe that the ability for a family to send their children to a school that they embrace, that they believe in, that represents their family, their family values, and represents perhaps their religious beliefs is something that America has always stood for. And it makes our country great. LB804 allows everyday Nebraskans the opportunity to save their own money for their children's education and to spend their money at the school that they are most comfortable with and aligns with their family's beliefs. It returns the power to the hands of Nebraskans and it takes less of that hard-earned money and allows them the opportunity to invest it in ways that directly and tangibly benefit their family and the future of their children. The best strategy for financial success and educational success is to plan ahead. Unfortunately, many Nebraskans do live paycheck to paycheck and they're unable to do this to save adequately for education. But this bill does provide and empower that ability for Nebraskans to plan ahead. By allowing the NEST 529 plan holders to use their contributions and the compound interest that they gain through investment for K-12 educational expenses, this bill will provide some financial freedom and flexibility, the freedom from anxiety and worry, and a sense of security through uncertain financial circumstances that would extend into all areas of life. The fact is that Nebraskans are currently saving for educational needs. They are simply not allowed to utilize the powerful tool that NEST 529 plan offers. According to USA Today, about 50 percent, 56 percent of millennials began settling, setting aside money for their children's education sometime between birth and age five. And that compares to only 33 percent of us Baby Boomers who did the same. Further, millennials are 44 percent more likely to use 529 plans than the Gen X generation and the Baby Boomers which are 23 percent. So why should government restrict the

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opportunities Nebraskans have to save for education? Saving for education, that doesn't seem to be so wrong. Again, we're saving for education. And the handouts, I have some handouts for the committee here to review, illustrate how much those families who are not allowed to use a NEST plan, 529 plan, they miss out on when they use a general savings account instead. A low- to middle-income family contributing to a plan with 12 percent growth per year can accumulate over \$23,000 for education by the time their child reaches high school. The same family, if contributing to a general savings account, would accumulate less than \$10,000. That extra \$13,000 is created by contributing the monetary equivalent of basically one meal per week at a restaurant that would accumulate and build and add a savings security with a NEST 529 plan. This is well reached within-- for all Nebraskans. It's well within reach. And the passage of this bill would allow that. That extra \$13,000 is freedom from anxiety and worry and allows many Nebraskans to send their kids to schools that they're most comfortable with and it can truly be life changing. I'm not saying that, that education is wrong at a public school. Letters I've received from public school people, I don't know why they're fearful of people choosing to send their kids to places that they are most comfortable with. But this savings plan will enable them to save for this. They'll still be paying their taxes. They'll still be doing their daily lives. But what I did see when I was working with constituents along the Missouri River during that flooding who had to leave their apartments and their homes, everyday, typical people I stayed with at the Dana College dorms, then they were people who had, they lived paycheck to paycheck. They had no public assistance but they had rent. They had babysitters. They had payments, utilities, etcetera. They did not have extra cash. There are programs that are available for financially stressed individuals but most everyday people who live and and make it paycheck to paycheck in hopes to get ahead some day, this would allow them to just take that meal, that one meal from a restaurant, put it into a savings account, and save for their elementary school that they feel most comfortable with. So I did want to close and ask you to consider what this bill will do to help Nebraskans change their own lives, the opportunities and the advantages of planning ahead for education. And it's been said that education is the most powerful tool in which you can use to change the world. And I do believe that. It's inconceivable that anyone can possibly argue against a family wanting to plan ahead and save for their kids' education at a school that most closely aligns with their family. I ask that you give this your consideration and I welcome any questions you may have. Treasurer

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Stenberg is behind me. I introduced this bill on his behalf and he would be happy to answer any technical questions.

SMITH: Thank you, Senator Brasch, for your opening on LB804. Questions from the committee? I see none. I know you'll be here for closing. Thank you, Senator Brasch. We now have the privilege of having our Treasurer Don Stenberg with us. Welcome, Treasurer Stenberg. You're our-- you're going to speak on behalf of LB804. Welcome.

DON STENBERG: I am. For the record, Mr. Chairman, members of the committee, my name is Don Stenberg, D-o-n S-t-e-n-b-e-r-g, the Nebraska State Treasurer. First of all, I want to thank Senator Brasch for bringing this bill. As she explained, LB804 provides the same state tax benefits for contributions to Nebraska's 529 college savings plan when those contributions are used to pay tuition for K-12 education at private and parochial schools as those benefits are now available when contributions are used to pay qualified educational expenses at colleges and universities. Nebraska's 529 college savings plan has been very successful. The Nebraska Legislature authorized the program in 2000. And today the Nebraska Educational Savings Trust has more than \$4.8 billion, with a B, billion dollars and more than 254,000 accounts including more than 79,000 accounts that are owned by Nebraska taxpayers. We have such a good plan that many residents of other states have chosen to use Nebraska's plan instead of their own home state plan. Now under current law, funds in a NEST account can be used to pay qualified educational expenses at a state college or state university such as the University of Nebraska or Wayne State College. They can be used to pay educational expenses at private colleges, universities such as Harvard. They can also be used to pay college expenses at religious, religiously based organizations such as Creighton University, Nebraska Wesleyan, and Concordia University in Nebraska and similar colleges across the United States. Now under current law, investment income on assets in a-- in a NEST account when they're used to pay qualified educational expenses are exempt from federal income tax. And in addition, Nebraska law currently provides for college savings plan up to a \$10,000 deduction from adjusted gross income when a taxpayer contributes to a NEST account. It also exempts from state income tax the earnings on that account as long as they're used for qualified educational expenses at a higher education institution. As you probably know, last December, just a month ago, the Congress of the United States extended the same federal tax benefits for 529 plans when they're used to pay K-12 tuition at private and parochial schools as for colleges. So LB804 would provide

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the same Nebraska state tax benefits for a NEST account which is used to pay K-12 tuition at private and parochial schools as when those same funds are used to pay qualified educational expenses at an institute of higher education. The fiscal note estimates a loss of tax revenue as a result of LB804 in fiscal year 2018-19 \$2,840,000. The reason for that estimate as I understand it is the possibility that some people will contribute to a NEST account in 2018 and 2019 with the intention of using those contributions for K-12 tuition beginning in 2020 which is the effective date of this act. Amendment AM1633 that Senator Brasch offered eliminates that estimated revenue loss by denying a tax benefit in 2018 and 2019 for contributions which are made for the purpose of ultimately using those funds for K-12 tuition. The fiscal note also estimates the loss of tax revenue as a result of LB804 to be \$4,140,000 for the first year when the bill becomes effective in 2020. In my opinion, the actual revenue loss is likely to be closer to \$1.3 million. And I'd like to include in the record of this committee meeting a letter that I sent to the Tax Commissioner that is attached to the material that was handed out and I won't go through an explanation of that unless there are questions. Basically I was able to come up with that estimate based upon our experience with our college savings plan, the size of contributions that are usually made, and the percentage of people who are eligible to participate in the program who actually do. We have one of the largest participation rates in the country in our college savings plan and that is 6-- 16 percent penetration rate that we call it and that's after 17 years. When I became State Treasurer, our penetration rate, in other words, the number of people who could use the plan who are in fact using it in Nebraska, was 11 percent. It's now 16 percent. The Revenue Department in putting together their fiscal note assumed that 50 percent of the eligible people under the K-12 provision would use it which would be three times what we've found with the college savings plan after it's been in effect for 17 years. So with that I want to encourage the committee to advance LB804 for consideration by the full Legislature and would be happy to answer questions.

SMITH: Thank you, Treasurer Stenberg. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you, Treasurer Stenberg. What is your estimate, if you have one, on the amount of time a dollar would spend in the plan before it was disbursed out in-- to the school or as tuition? Right now, of course, the college thing it's a long-term thing. Certainly if they say for 10, 15, 20 years and the money lays in there and gathers interest and all of that. But with

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grade school if there-- I don't think there's a mandatory time that it's got to lay in the NEST.

DON STENBERG: Correct.

SCHUMACHER: So it's more like a checking account than a savings account. How long-- is this merely a conduit for that money?

DON STENBERG: Well, I'm sure there are some people today who basically put money in their college savings plan and take it out-- put it in December take it out in January to pay the tuition for college or other qualified educational expenses. No doubt some of that would occur with K-12 as well. But it's, it's difficult to say because there's a lot of ways that these accounts can be used. For example, let's say there are several children in the family. You can set up a separate account for each child and if one of those children doesn't use the full amount that you've put in the plan, you can change, you can change the beneficiary of that plan to one of your other children. And all I'm saying is, is that it's difficult to see how all that will figure and it will vary from family to family depending how many children there are. I think one thing that this will do is it will probably increase savings for college. And the reason I say that is we do encourage families to invest early in the college savings plan and some do. But a lot of folks, the kids are in junior high or even their first or second year of college before people start thinking, you know, I really need to put some money away for college for my child. So a lot of our contributors now only have money in for four or five years before the child or grandchild starts, starts to go to college. So I think if people who have children in parochial or private schools use this program for, for that purpose will continue on and use this program for their college expenses as well. So I would expect to see an increase in people using our college savings plan for college because they will become familiar with it while their children are in K-12.

SCHUMACHER: But the case where you describe one kid doesn't use it for grade school so might be transferred to another kid. That's probably realistically the exception rather than the rule. The rule probably will be you put the money in, you take the money out as quick as you can to pay the bill. So to the extent that's true, is it better just to get a deduction and be done with it?

DON STENBERG: Well, that would be another way to approach it, Senator.

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SCHUMACHER: About the same result.

DON STENBERG: If you want, if you want to take-- it's not really quite the same result because if you just gave a state tax deduction you would still be paying federal income tax on the earnings because to get the federal benefit you need to put the money in a--

SCHUMACHER: But from our point of view, we can just allow a deduction, not run it through the plan, run it through the conduit.

DON STENBERG: So, well, I mean obviously that could be, could be done, Senator. The-- as I said, I think one of the benefits would be getting, would raise the awareness of people. And I really think that the Revenue Department has overestimated use. You know we, we have made great efforts and my predecessors as well, but in the last seven years we've got all kinds of contests, scholarship opportunities, advertising, I've given speeches all over the state of Nebraska. And you can still go out there and find people who don't even know the program exists. You can find other people who've heard about it but never used it. And I think it's going to be the same way with this. You think, well-- you would think, well, why doesn't every Nebraskan who has a child in college at least go use this program for the exact purpose you just mentioned and run it through but they don't, either because they don't know about it, they don't want to hassle with it or whatever. And I don't think it's going to be much different here. I think a lot of people will use it but I think a lot won't because they don't want to go through setting up an account. They're not aware of it and so forth and so on.

SCHUMACHER: But most people use an accountant, an H&R Block, a lawyer, or somebody to fill out their income taxes. And if you know when your client is sending their kids to a private school and has a tuition expense, you're pretty much going to nail them right there and say, listen, next year sign up for this because if you did it would have the effect of being deductible.

DON STENBERG: I suppose although you would think they would tell their clients with college age kids the very same thing.

SCHUMACHER: I think with the savings plan the kid may be three years old and not college age yet so it isn't quite as obvious and is malpractice if you don't tell them.

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DON STENBERG: Yeah, well, but all I'm saying is that if it's just a pass through and under your scenario if you had a client who had a freshman or sophomore in college you would say, well, you know you ought to open a savings, a NEST account, put the tuition, put the cost of college in there, take the state tax deduction and then pay out of that account. And maybe a few do, but our experience has not been that that happens a lot.

SCHUMACHER: Thank you.

SMITH: See no remaining questions from the committee.

DON STENBERG: Okay.

SMITH: Thank you, Treasurer Stenberg.

DON STENBERG: Okay. Thank you all very much.

SMITH: And we continue with proponents, proponents of LB804. Welcome.

DEBORAH GOODKIN: Hello, everyone. My name is Deborah Goodkin, D-e-b-o-r-a-h G-o-o-d-k-i-n, testifying in support of LB804 on behalf of First National Bank of Omaha. We're the program manager for NEST. So K-12 within NEST sends a message of the importance of taking responsibility for saving for education. It encourages families to start earlier to save and provides all Nebraskans with benefits that will offset the potential revenue impact. Lifelong learning doesn't start or end at a particular point in time. And it doesn't start at college. K-12 in NEST sends a direct message from the state of the importance of setting educational goals early in a child's life and encourages families to take financial responsibility for saving for those goals. What motivates individuals to save? Well, we've found that a tax deduction is important but saving from the deduction is really too small by itself to motivate them to open up accounts. They save because they don't want their kids to take out loans and they want their money to grow, an investment vehicle. Yet many times families start saving for college not until the child is ten and they struggle to catch up. We've been encouraged by the changing dynamic of family conversations about the importance of education. We're confident that with this change conversations will start earlier and families will be motivated to jumpstart their savings not only for K-12 or college but for K-16 and beyond. Individuals who will be impacted by this change have told us that they already enjoy the tax deduction and that they will not be significantly impacted. Others

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have said the small amount of money they will receive in a tax refund might not motivate them to open up an account. They also tell us that sending a child to parochial school is a religious choice, acknowledging that Nebraska public schools are very good. The percentage of children under 18 with NEST accounts, as Treasurer has said, is 16 percent. We're all proud of the increase even though Nebraskans are taking a tax deduction probably has increased as well over time and where analysis as to the potential revenue impact by adding K-12 is much less than presented in the LB804 note. And we believe the long-term benefit of an educated financially community outweighs the identify, an identified revenue impact. But not passing the bill will have a detrimental impact on our ability to sustain a low-cost plan will continue to give back to Nebraska. Seventy percent of assets and 62 percent of accounts are by out-of-state owners who don't benefit from an in-state tax deduction. Not permitting K-12 will result in a reduction of new out-of-state accounts and existing out-of-state accounts moving to other states that will allow it. Fees we receive directly support Nebraska initiatives such as financial literacy sponsorships and scholarships. And they may be all reduced. First National supports Nebraska's youths who are sending a message of hope, dreaming, and the need to save for those dreams. Dreams are not made in college. They are made prior to elementary school and molded through the education providing K-12. These changes support all Nebraska families and thank you for your time and effort.

SMITH: Thank you for your testimony. Senator Lindstrom.

LINDSTROM: Thank you, Chairman. Just a quick question. You mentioned the money potentially leaving the state--

DEBORAH GOODKIN: Yes.

LINDSTROM: --or the impact if this doesn't pass. Could you touch on that just a little bit? I know it was at the tail end.

DEBORAH GOODKIN: Yes. Well, as I mentioned, 70 percent of the assets from out-of-state accounts, people in Nebraska might have Nebraska accounts but they also might open an account somewhere else. I'm really concerned that Nebraskans instead of opening up a college savings plan account if this doesn't pass will go to another state where they can get some sort of tax benefit, certainly the federal tax benefit on the earnings. and we really believe that-- right now 30 states allow it. And we are really concerned that people who are out

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of state who helped support all the money that was spent in-state won't come to the NEST plan.

LINDSTROM: Thank you.

DEBORAH GOODKIN: You're welcome.

SMITH: Senator Groene.

GROENE: Thirty states since the feds passed the-- is that what you're saying already?

DEBORAH GOODKIN: Six have declared; 30 do not need to go through what we're going through, yes.

GROENE: Because they just adopted the federal--

DEBORAH GOODKIN: That's correct.

GROENE: --expansion of it.

DEBORAH GOODKIN: That's right.

GROENE: So they talk about 6.84 percent. But the reality is effective tax rate of the average family in Nebraska doesn't even get close to that. So if they do this--

DEBORAH GOODKIN: That's absolutely right.

GROENE: And then for whatever reason they want to-- I believe in education and whatever route we have to take I'm not going to choose one over another. Really the reasoning for putting it in for most families isn't that original tax break, that effective rate of maybe 2 or 3 percent as Senator Schumacher said.

DEBORAH GOODKIN: Yeah, maybe they'll get 80 bucks. I mean if they're not already contributing I'm not quite sure are they going to go through the process.

GROENE: So the reason would be that you're saving for the future, most families are.

DEBORAH GOODKIN: Right and for high school, you know, as well.

GROENE: Incentives to save over time.

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DEBORAH GOODKIN: Right.

GROENE: Thank you.

DEBORAH GOODKIN: That's our message.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you for your testimony.

DEBORAH GOODKIN: Thank you.

SCHUMACHER: Regardless if we do nothing we will get the benefits of the federal act. Is that correct?

DEBORAH GOODKIN: No, you will not. Nebraskans who contribute to the Nebraska plan will not get the benefits of the federal act.

SCHUMACHER: Excuse me, as, as to the college part of it, that doesn't change.

DEBORAH GOODKIN: Oh, the college part doesn't change, no.

SCHUMACHER: And the money that an out-of-state person invests in the plan because it may be a good plan comparatively, is that mandated to then be reinvested in Nebraska businesses or Nebraska investments?

DEBORAH GOODKIN: Well, quite frankly I do, I do buy contract offer about \$120,000 in scholarships to Nebraskans.

SCHUMACHER: No. But the money that comes in, there has to be a big pile of money in this thing, isn't there?

DEBORAH GOODKIN: Yes, there is.

SCHUMACHER: Okay.

DEBORAH GOODKIN: Well, there is some. It's not huge.

SHUMACHER: And what percentage of that big pile of money is invested in Nebraska stock, Nebraska bonds, Nebraska investments?

DEBORAH GOODKIN: Well, almost all of our marketing efforts and all of our-- we have marketing dollars associated with this. I'm not quite sure if that's what you meant.

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SCHUMACHER: No. I mean you get a whole pile of money. Okay. You've got to do something with it otherwise you don't get any interest or dividends or anything else on it and you don't get a return on investment. So you take the whole pile of money and you-- You must buy bonds or stock or something.

DEBORAH GOODKIN: Yes. It's allocated to the underlying funds which are equity bonds and stock, yes. However, it all goes back to the account owner. We don't earn the interest.

SCHUMACHER: Right. But the money comes in.

DEBORAH GOODKIN: Right.

SCHUMACHER: The money goes back out to some other state and some bond. And so it's not like it's invested here. It's invested here. It isn't-- unless you put it in a, you know, company Behlen Manufacturing in Columbus is, buy their bonds or something or a municipal bond of Omaha or something. The money doesn't stay here. It bounces off of here.

DEBORAH GOODKIN: It's possible some of the underlying funds do invest in Nebraska but the money is invested and is given back to the individuals.

SCHUMACHER: Of course it is.

DEBORAH GOODKIN: Yeah.

SCHUMACHER: But as far as we're losing it, it doesn't stay, not much of it stays here anyway. When a Nebraskan invests in this fund, you tell me, but I would guess not a huge percentage of it is invested in Nebraska businesses.

DEBORAH GOODKIN: Only-- No, I wouldn't know. I would say though that we use some of the money to, we have a program management fee and a state fee and that does go back to Nebraskans.

SCHUMACHER: All right. Thank You.

SMITH: Senator Lindstrom.

LINDSTROM: Thank you, Chairman. The only way to really do that would be to underlying investments would be Werner, Berkshire Hathaway--

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DEBORAH GOODKIN: And I'm sure there are.

LINDSTROM: Valmont, we'd have to have, you know--

DEBORAH GOODKIN: Right.

LINDSTROM: Ten stocks maybe.

DEBORAH GOODKIN: Thank you, yes.

LINDSTROM: With the underlying investments, correct?

DEBORAH GOODKIN: Correct.

LINDSTROM: Okay. With regards to taxation and the-- I'm a dad of three young kids and so I often think about the 529, weighing the costs, all the stuff that comes into it. I just want to make sure, maybe you discussed this earlier, but potentially I could set this up, fund it with, say, a thousand dollars for my first child; say she goes on and then wants to be a part of public school and go on to, say, college but she gets a scholarship. And I say, okay, now I can take that thousand dollars, make it gross to \$10,000 hopefully; and if I'm investing in Nebraska companies, I bet it will. And then take that to my second child and say the first thing happens again. And he is able to go on but not utilize that. Then I can take that to my third child and she might be able to use that, correct?

DEBORAH GOODKIN: Yes. There are very, very, very, very small percentage of kids that get a full ride.

LINDSTROM: So grandparents, this is a tool for grandparents as well if they [INAUDIBLE]

DEBORAH GOODKIN: It's a great tool for grandparents as well as grandparents helping to pay for K-12 as well.

LINDSTROM: Sure. Thank you very much.

SMITH: Senator Friesen, then Schumacher.

FRIESEN: Thank you, Chairman Smith. I guess I'm trying to come to grasp a little bit with what we're trying to do with the K-12 because I understand the college part. Grandparents, when a child is born, I suppose they could even anticipate that if they wanted to start putting money into an account or do they need--

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DEBORAH GOODKIN: You need the Social Security number of the child, yes.

FRIESEN: So the child has to be born.

DEBORAH GOODKIN: Yes.

FRIESEN: Now the earliest I can do it is that child is born. I put some money into an account. And if we let them use it for K-12, then they could use it when they're five years old so it would be in there roughly five years and they could go to private school and use that money. And after that I could contribute into there, on December 20 pull it out, January 5 pay for tuition. That would never accumulate. Would that, is that possible?

DEBORAH GOODKIN: It is possible. I would like to give you some statistics. Out of the 40,000 Nebraskans who are account owners, only 700 of them in 2017 and 2016 hit the \$10,000 maximum limit. And out of those, only 35 took withdrawals within the year. So people--

FRIESEN: I guess having it available earlier when there isn't as much money in there tells me they could take it out a little more often if they need it.

DEBORAH GOODKIN: They could. I don't have that experience yet. We're hoping to have that experience, but yes.

FRIESEN: So now the out-of-state people who invest in the fund you say they get no state benefit from Nebraska. But why couldn't they continue to use the fund if we do nothing?

DEBORAH GOODKIN: For college they could. But if they are interested in saving as well for K-12, they will not use our plan.

FRIESEN: Because, but they get no benefit but they cannot legally use it because ours doesn't allow that?

DEBORAH GOODKIN: They can't legally use it and they will not get the federal benefit of the interest earned being tax deductible because they will not be in a plan that allows them to use it for that purpose.

FRIESEN: Okay. All right. Thank you.

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SMITH: Senator Schumacher and then Senator Groene.

SCHUMACHER: Thank you, Chairman Smith, and thank you again for your testimony. Let's say that I have \$50,000 built up in one of these accounts right now.

DEBORAH GOODKIN: Um-hum.

SCHUMACHER: And as I understand it I just couldn't go in there tomorrow and cash it out and go buy a car with it. You've had a-- Tesla was here advertising today and I'm thinking about those things. But so I couldn't do that because I'd suffer some kind of consequence, right?

DEBORAH GOODKIN: You'd suffer tax, significant tax consequences, yes.

SCHUMACHER: Okay. So I'm locked in. But now let's say I've got a gaggle of kids in parochial school. Okay and I got my \$50,000 laying there. Can I raid that \$50,000 to pay for parochial school?

DEBORAH GOODKIN: Not until after 2020.

SCHUMACHER: Right. But then I can raid it.

DEBORAH GOODKIN: You might call it that. They might call it something else. Yes.

SCHUMACHER: Okay. So If we were understanding each other here, so this may be counterproductive to the initial reason for the program and that is college savings.

DEBORAH GOODKIN: The initial reason for college savings plans was to make sure that states had an educated community and that youth were able to afford to go to college and that the money wasn't the factor and that they'd come back and contribute to the economy of the state. We still have the same educational purpose which is to make sure that youth are educated and contribute back. It just is starting earlier in my opinion.

SCHUMACHER: But now I'm raiding a kitty that was set aside for college because I can and before I couldn't.

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DEBORAH GOODKIN: But people do that now. People are not going to put money in a college savings plan account if they can't afford, for K-12 if they can't afford it.

SCHUMACHER: Let's just say I'm a farmer and times are tough. And now I want to take it out of there and raid the college fund to pay for parochial education.

DEBORAH GOODKIN: Well, you could, yes, you could theoretically as--

SCHUMACHER: Thank you.

SMITH: Senator Groene.

GROENE: Thank you, Mr. Chairman. So in Nebraska's program, is it only closed to Nebraska citizens? If grandma and grandpa live in Texas, can they open one in Nebraska?

DEBORAH GOODKIN: Absolutely. And 70 percent of account owners live outside of the state of Nebraska.

GROENE: So what you're saying is if grandpa and grandma live in Nebraska and their kids go to parochial school, grandma and grandpa can start a fund in another state that accepts K-12 and then grandma and grandpa can write a check to the parochial school in Nebraska and still get the federal, federal--

DEBORAH GOODKIN: Just the federal, yes.

GROENE: So that's where you're saying we'll get leakage.

DEBORAH GOODKIN: Definitely.

GROENE: I know some grandma and grandpas, not me, that would do that immediately.

DEBORAH GOODKIN: Yes.

GROENE: And in other words, we could keep that money in the state in your bank.

DEBORAH GOODKIN: Right. If you knew your newborn was going to wind up because it's your family preference to go to a religious school, you could start, you could start that--.

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GROENE: I'm talking about grandma and grandpa are already paying tuition--

DEBORAH GOODKIN: Oh, yes, absolutely.

GROENE: --at a private school--

DEBORAH GOODKIN: Absolutely.

GROENE: --for their grandkids.

DEBORAH GOODKIN: Absolutely.

GROENE: And if we don't open this, they could go to Iowa or somewhere else that does it, open an account and then write the check due in December, write the check January 5 to St. Peter's and Paul's Lutheran School--

DEBORAH GOODKIN: Right.

GROENE: --in Lincoln, Nebraska, or whatever, right?

DEBORAH GOODKIN: He could do it today in the state of Missouri. Right now you can open up an account in Missouri that way.

GROENE: And that money doesn't have to be spent in Missouri.

DEBORAH GOODKIN: No, no, it does not.

GROENE: So you're going to get leakage.

DEBORAH GOODKIN: Yes, we are.

GROENE: Because the big prize is the federal tax break, not the 2 and 3, 4 percent state tax break.

DEBORAH GOODKIN: Yeah and I would say the people--

GROENE: The federal taxes are 20 percent or more for the right people.

DEBORAH GOODKIN: That's right. And the people who can afford to save, save now for college. And the people who can't afford to get, I don't know, \$80, \$150 tax deduction are not going to open up an account.

GROENE: So what you're denying is the people want to deny the rich individual from this is going to harm the average parent--

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DEBORAH GOODKIN: I think it will.

GROENE: -- who wants to take care of their kids--

DEBORAH GOODKIN: Yes.

GROENE: --and are not really looking for a tax break. They're looking for growth.

DEBORAH GOODKIN: Yes, I agree with you.

GROENE: Because the wealthy ones are going to find a way.

DEBORAH GOODKIN: Absolutely.

GROENE: Thank you.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you. And just a little follow-up. So you're saying right now that we are, citizens in Nebraska cannot get the federal positives for a parochial school tuition payment.

DEBORAH GOODKIN: Correct. They cannot.

SCHUMACHER: The federal--

DEBORAH GOODKIN: They cannot by investing in our NEST plan. They cannot. They only can if they go to another state that allows it in their 529 plans.

SCHUMACHER: So we're excluded from the federal benefit now?

DEBORAH GOODKIN: Yes, you are.

GROENE: They just passed it.

DEBORAH GOODKIN: Yes, you are.

SCHUMACHER: So the federal law says unless a state has a complementary thing-- So this was leverage on the federal government to try to influence our policy?

DEBORAH GOODKIN: I am-- I don't want to make that statement but--

SCHUMACHER: But it's true.

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DEBORAH GOODKIN: But it appears that that could be the case.

SCHUMACHER: Isn't that the real meaning of federal overreach?

_____ : Yes.

DEBORAH GOODKIN: I don't-- It could be.

_____ : [INAUDIBLE]

SCHUMACHER: Okay. Thank you.

DEBORAH GOODKIN: But remember it's the federal government that authorizes 529 plans. It's a federal law anyhow and it allows states to have municipal securities called 529s. So the law always started at the federal level. It's an IRS, it's an IRS law. Because in college savings, your earnings are tax free as well if you use it for college qualified expenses. So it always started as a federal law.

SCHUMACHER: I don't know if I've ever heard someone say, listen, you adopt this state policy. Otherwise your citizens don't get the benefits of this federal policy.

DEBORAH GOODKIN: There are some states that do not have a 529 plan is one.

SCHUMACHER: But we do. Thank you.

SMITH: Senator Friesen.

FRIESEN: Thank you, Chairman Smith. I need some clarification too. So you said someone from out of state can use our plan and they have done that--

DEBORAH GOODKIN: Yes.

FRIESEN: -- quite a few people because it was a good plan.

DEBORAH GOODKIN: Yes.

FRIESEN: You got to have a good return on your investment. You're doing a great job.

DEBORAH GOODKIN: Thank you.

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FRIESEN: What the federal government said is that we need to design a plan. They didn't say that we had to offer a Nebraska tax credit--

DEBORAH GOODKIN: No.

FRIESEN: --in order to qualify.

DEBORAH GOODKIN: Correct.

FRIESEN: We can have the program without a Nebraska tax credit and still qualify people for the federal plan.

DEBORAH GOODKIN: Many states do not have a tax deduction and they can still get the federal and a deferral of the income, the tax on the income, yes.

FRIESEN: Federal. Thank you very much.

DEBORAH GOODKIN: You're welcome.

SMITH: Seeing no further questions, thank you very much for your testimony, very informative.

DEBORAH GOODKIN: Thank you very much.

SMITH: We continue with proponents and one of the things and instructions before I just want to make certain if we have folks testifying let's not have any expression of support or opposition from those behind the testifier. Welcome.

TOM VENZOR: Good afternoon, Chairman Smith and members of the Revenue Committee. My name is Tom Venzor, that's T-o-m V-e-n-z-o-r. I'm the executive director of the Nebraska Catholic Conference which represents a mutual public policy interests of the three Catholic bishops serving in Nebraska. Recent federal tax reform provided an important development that helps ensure parents are afforded greater opportunity in choosing an education best suited for their child. Nebraska is now faced with its own decision whether to align with this reform and thereby support parents across Nebraska who work so hard to diligently and responsibly save for their child's K-12 tuition expenses. Reason and faith teach us that as those first responsible for the education of their children, parents have the right to choose a school for them which corresponds to their own convictions. This right is fundamental. Public authorities have the duty of guaranteeing this parental right and of ensuring the concrete conditions for its

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exercise. The United States Supreme Court recognized as much in the landmark case of Meyer v. Nebraska in 1923 when it stated that it is a natural duty of the parent to give his children education suitable to their situation in life. LB804 recognizes the need for state government to support parents in their responsibility to direct the education of their child as they see fit. It does so in a couple important ways which I would like, in at least a couple important ways that I would like to briefly discuss. First, LB804 provides tax fairness. Families who are able to afford and select a nonpublic school setting must pay tuition. These families are doing so in addition to paying local and state taxes for traditional public schools. This burden of paying for two different education systems can act as a financial penalty for selecting nonpublic school which in turn can disincentivize parents' decision to choose an education best suited for their child. LB804 begins to remedy the inequity facing taxpayers who choose nonpublic schools for their children. Second, LB804 addresses inequality of opportunity. By assisting middle-class families to responsibly save for their K-12 tuition expenses, LB804 mitigates inequality of opportunity that currently exists. Middle-class families oftentimes are ready, already struggling to make ends meet; and LB804 provides the right kind of incentive to help address an issue that is vitally important which is ensuring that their child can get an education most fitting to their needs. Interestingly, 75 percent of current 529 plan owners fall into middle-class families with household incomes of \$150,000 or less while 70-- 17 percent have incomes of \$50,000 or less. We also know from our experience of running Catholic schools that even seemingly small financial incentives such as a \$200 scholarship can make the difference for a family's decision to choose a nonpublic education for their child. This is the type of savings a middle-class family could expect to receive under LB804 which can ultimately support education choice. With that we would encourage and urge the Revenue Committee to advance LB804 to General File. Thank you for your time and consideration of this important policy.

SMITH: Thank you, Mr. Venzor, for your testimony. Senator Groene.

GROENE: Thank you, Chairman. To clarify the exchange between Senator Friesen and the last witness, the way I read this if we don't have this and you put \$10,000 in Nebraska's account that's fine. You, you would get your tax break if it was higher education. But if you tried to remove that money and pay tuition at a K-12 school, you would have that-- According to this law, you can only withdraw it for higher

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education. So that exchange I don't think was well understood. It is still only higher education. You cannot put it in that account and then pull it out and pay tuition at a K-12 school, could you?

TOM VENZOR: Well, you could. It would just be with the penalties when you make that withdrawal.

GROENE: Well, you can pay the penalty but--

TOM VENZOR: Yeah, yeah.

GROENE: But you're losing more then does you no good.

TOM VENZOR: Um-hum, correct.

GROENE: I mean, the exchange before made it sound like you could do this anyway and you'd still get the federal and you could still pay your K-12 tuition and all you would lose is the state tax. But I don't think that's true.

TOM VENZOR: I don't want to speak necessarily for Deborah, but I think you may want to clarify that with her. But I'm kind of thinking that is the case when you were, if you were going to invest it in an out-of-state NEST account.

GROENE: No, that wasn't the exchange.

TOM VENZOR: Okay.

GROENE: I want to clarify.

TOM VENZOR: Sure.

GROENE: If I put money in an account for my grandchild and I tried to pull it out next year and pay tuition at a private school, nonsecular private school, I could not do that without being penalized.

TOM VENZOR: Correct.

GROENE: Yeah. So this is more than you have to change this in order to do that even though the tax policy. Yeah.

SMITH: See no further questions. Thank you for your testimony.

TOM VENZOR: Thank you.

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SMITH: Next proponent for LB804. Welcome.

DEB PORTZ: Good afternoon. My name is Deb Portz, spelled D-e-b P-o-r-t-z, and I am a resident of Lincoln Nebraska. I support LB804 as a change to Nebraska law. In 2000 my husband and I opened account at the state-sponsored college savings plan of Nebraska at Union Bank and Trust. In 2010 when First National Bank of Omaha took over the state-sponsored 529 plan from Union Bank, we transferred our 529 plan to the new NEST plan at First National versus going with one of the out-of-state 529 plans that Union Bank continued to manage. We contributed to our 529 plan annually for 12 years with a household income that was very middle class. We used the savings tool to send our son to college where he graduated in 2017 with an undergraduate degree in four years. If the opportunity to use a 529 plan to help pay for K-12 education of our choosing was available, I'm sure we would have tried to take advantage of it during the 6 years our son attended Catholic school in his K-12 years. Like many other parents who choose not only to pay property taxes to support public schools in Nebraska, we also made a choice to pay tuition for private education for a portion of our son's K-12 education thus saving the state money on public education as we chose to pay double for education taxes and tuition expenses. But the bigger ideal for me is that we were a consumer of a 529 plan. 529 plans are an investment product in a competitive marketplace where the home state revenue coffers benefit from the state-sponsored plan. Choosing a plan in Nebraska offered us a tax-free investment and an income tax deduction at the federal and state level for monies used for college expenses. However, we were never required to choose the 529 plan set up in Nebraska. I could have chose several 529 plans across state lines, including ones managed by Nebraska's Union Bank in Alabama and Illinois, that still gave me the investment of a tax deduction benefit on a federal level as well as tax-free withdrawals. Depending on the investment policies, rates and returns, and fee structures, other plans could fit my needs and have been more competitive than our state-sponsored plan even without qualifying for a tax deduction which was about \$350. If Nebraska fails to change the law on 529 plans as the new federal government has now provided for, Nebraska residents can choose alternative out-of-state 529 plans specifically for K-12 education federal tax breaks. If a family has many children in K-12, the investment climate where tax, whoops, education expense needs they can forgo the state deduction and still receive a federal deduction in a robust investment climate where tax-free withdrawal benefits will likely offset that state deduction. If a parent of a family wants the flexibility of all their children to

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use 529 account funds for K-12 and college expenses from a single account, they likely will not stay with Nebraska's 529 state-sponsored plan if the state law does not offer the flexibility that they need. Nebraska's lack of education choice legislation has become more and more of a driver for statewide economic development. If Nebraska remains a state that does not offer K-12 tuition withdrawal on 529 plans, it's likely that-- and also those plans that do not affect any funding formulas of the current education system. It is-- I'm sorry I lost my place-- it is likely that it will be a factor in businesses deciding not to locate here or a family not deciding to move, move here. Just like LB295 for tax credit scholarships for low-income families, you can't just continue to make Nebraskans in middle class who are paying into public, public education carry the heaviest fiscal responsibilities to fund education and also walk away from the existing tools that actually add revenue to the state coffers for education aside from raising taxes on those who own property and pay income tax. Thank you for your time.

SMITH: Thank you, Ms. Portz, for your testimony. Questions from the committee. Senator Groene.

GROENE: Did your children go to public and private school?

DEB PORTZ: Yes.

GROENE: Do you see this as a competition between one versus the other?

DEB PORTZ: No.

GROENE: Do you see it harming either one?

DEB PORTZ: No. It doesn't change any of the--

GROENE: Do you see it as citizens of Nebraska?

DEB PORTZ: --public school funding formula, formulas. It is basically a tool for anyone to save money to choose to send their kid to a private school.

GROENE: So there is no competition.

DEB PORTZ: There's no-- the competition is, I truly believe, you will lose the 529 funds or whatever returns on investment that we do get from 529 plans here in the state of Nebraska or all the other benefits that I am, you know that, you know, we see. And because they're going

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to go to different states. They're going to go to states that offer the K-12. If that is the driving force that a family wants, they're going to go look elsewhere, whether that's grandparents, whether that's parents, you know. As we're seeing, millennials are investing more in the, in these 529 plans. So I'm past that point but I'm just saying I've lived through it and I'm telling you exactly what I would have done.

GROENE: So you, you've used both private and you paid your property taxes willingly to support the public schools.

DEB PORTZ: Right. My son went to private school from kindergarten till age, till fifth grade. He went, he attended LPS from 6th grade till 12th grade. And then he went to a private college.

GROENE: So you've [INAUDIBLE]

DEB PORTZ: So I have, I've done it both but.

GROENE: Thank you.

SMITH: I see no further questions. Thank you for your testimony. Proponents, next proponent. Welcome.

NINA BECK: Thank you very much. My name is Dr. Nina Beck, N-i-n-a B-e-c-k, and I'm here to talk to you about our school and our parents. I'll give you just a Reader's Digest version. We have children from all over the world at our school. It's right across the street, St. Mary's, and we have 12 languages spoken daily and at least last count it was 12. And our children represent a beautiful rainbow. I mean it's, it's really a picture; it's a beautiful, beautiful picture. I'm here to advocate for our parents that send their children to private schools. This is absolutely the opportunity of a lifetime for them to have some sort of savings account that they could begin. They've received their citizenship. They're doing all sorts of things that they can do to send their child to, to a Catholic school, a private school, something that is a very good match for them. I'll just kind of give you just a little history. I worked for Lincoln Public Schools for many years, had a wonderful career there, loved it, left. And now I'm-- I left very happily, I mean, it's a good thing. And now I'm working for the Lincoln diocese and the principal of St. Mary's. So I just wanted to come today and I wanted to advocate for those parents that have come into the United States and are pleased to be here, thrilled to be here. But they need some sort of savings plan like

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this, the one that has been proposed. And it would help so, so much. It's not that they're going to become wealthy overnight. The, you know, they won't be able to this plan. But every little bit helps for these families. You know, we're talking families that go to St. Peter's, St. Michael's, Cathedral, St. Joseph's. It's a totally different-- We have a population of people that are extremely poor. We have almost 80 percent of our children who are on free and reduced lunch. And a plan like this would be absolutely remarkable. So I'm here to support it. If you have any questions, I'd be happy to answer.

SMITH: Questions from the committee? Senator Groene.

GROENE: You've dealt with children in different settings, public and private.

NINA BECK: Absolutely, yes.

GROENE: Does that child care?

NINA BECK: It is--

GROENE: The schools are for the children, right?

NINA BECK: Oh, absolutely.

GROENE: So does the child care that what classroom they're in?

NINA BECK: No.

GROENE: They just want an education.

NINA BECK: They want an education. Absolutely. And they want a good fit. We have several children that have come to us throughout the years that, you know, some of the schools in Lincoln, wonderful schools, but very large and you could fall through the cracks and you just can. But with us, you can't fall through the crack.

GROENE: So more opportunities for the children. Not talking about the parents, I'm talking about the children.

NINA BECK: Absolutely.

GROENE: The more opportunities the better.

NINA BECK: Absolutely.

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GROENE: For everybody.

NINA BECK: Absolutely. They're our future.

GROENE: Thank you.

NINA BECK: They really are.

SMITH: Any other questions from the committee? I see none. Thank you, Doctor--

NINA BECK: Okay. Thank you very much.

SMITH: --Beck, for your testimony. Appreciate it. All right. We are now going to cut over and take five opponents on this bill. Welcome.

RENEE FRY: Thank you. Hello again. Good afternoon, members of the Revenue Committee. My name's Renee Fry, R-e-n-e-e F-r-y, and I'm the executive director of OpenSky Policy Institute. I am handing out my testimony but I'm not going to follow it because I think there's a really important conversation happening, and I think there's some confusion about what's in the bill. So there are two issues that LB804 addresses. One of those issues is allowing folks who have an account in Nebraska, a NEST account, to be able to take advantage of federal tax benefits. That's separate, completely distinct from a new state tax deduction that this bill creates. I think that's really important and it's the second part that we really have heartburn with which is the creation, a new creation or creation of a new state tax deduction. And I think that's what Senator Friesen was asking about. And so those are two different things. I think that's just important to make sure that we have clarity about. So right now if people who have a NEST plan switched and went to another state, they wouldn't receive the state tax benefit in that state. Right? That's only for Nebraskans in Nebraska. Also if you have an out-of-state person who has a NEST plan, they can't get a state tax deduction either. So what we're really talking about and I think the concerns that the committee has raised is really about can folks who have a NEST plan take advantage of the federal tax changes. That would require a change that is in LB804, but LB804 does go a step further and creates a new state tax deduction. That's what we oppose. We also have concerns about the amendment that Senator Brasch spoke to. Kicking the fiscal impact into the next biennium there's no indication that we would have the revenue in the next biennium. We certainly don't have it in this biennium, and so we'd be concerned about whether we could afford it then and if it

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would rise to a level of priority in the next biennium. So simply put, we do not support further narrowing of our state's income tax base as would occur under LB804 which is why we're here in opposition. So with that, I'd be happy to answer any questions.

SMITH: Thank you, Ms. Fry, for your testimony. Senator Friesen.

FRIESEN: Thank you, Chairman Smith. Ms. Fry, if you wanted to accomplish what they're trying to do here, why don't we just talk about vouchers? Would that be a shortcut?

RENEE FRY: That seems to be part of what this bill would get at to some extent. It is, it is public support of private education for sure.

FRIESEN: Okay. Thank you.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith, and thank you, Ms. Fry. Which sections do we need in this bill to-- so our people can get the federal benefits without adding on a state deduction?

RENEE FRY: I don't have the bill in front of me.

SCHUMACHER: Okay.

RENEE FRY: So right now though the way, the reason that we can't use it or Nebraskans can't use a NEST for federal benefits is because it's limited to higher education. So what you could do is you could change the statute so that it does account for people could use it for private K-12 but not apply the state tax deduction that's allowed for higher education and not, not extend that to private K or private K-12 under the 529 plan.

SCHUMACHER: Okay. Thank you.

SMITH: Senator Groene.

GROENE: So what you're saying, keep the money here and allow them at least the federal deduction and we'd change that higher education part of our bill and say elementary too but not extend the state tax.

RENEE FRY: Yes, you can do that.

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GROENE: So then on the capital gains or the interest that you gain you would have to.

RENEE FRY: You would still get that--

GROENE: --they would have to separate that, show that on Nebraska's tax statement but not on the federal.

RENEE FRY: Well, so--

GROENE: We're not talking just the original deduction. We're also talking the gains on the time.

RENEE FRY: The gain, right. So we have a separate account for ABLE right now. You could certainly structure NEST to have separate accounts and that would make reporting very easy to do. There may be other ways to do that that I'm not aware of. I'm certainly not an expert in NEST plans and how those work. But we do have a separate NEST plan for ABLE which is, benefits people with disabilities. So if they want to save for future expenses, parents want to save for their child who has disabilities beyond their lifetime, there is a separate 529 account for that purpose.

GROENE: Back to the voucher question. Our state constitution says we have to supply free instruction in our common schools. We do that. But it says nothing, this has nothing to do, it doesn't say a child has to go to a public school. We have to supply that. We have tax-- we have a child deduction for having a child--

RENEE FRY: Sure.

GROENE: --that limits our state. We have other deductions for childcare. We give teachers \$250 off for books and stuff. All of those could be considered vouchers taking away from the public schools. You got to separate the idea we have a promise of free instruction if you choose to do it. All of our other tax law has, has to do with other niches in our government. To imply that those two go together is not accurate, I don't believe.

RENEE FRY: I think this would be the first credit that Nebraska would actually create that would benefit private K-12 and would basically subsidize private K-12 education.

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GROENE: But it's not subsidizing. It gives a tax breaks to individuals.

RENEE FRY: Correct.

GROENE: The school gets their tuition. They're not tied to this at all. This is a tax break for individuals, has nothing to do with the school, does it?

RENEE FRY: No.

GROENE: Can you show me anywhere in the statute--

RENEE FRY: No, no, I understand that.

GROENE: --where it has anything to do with direct payment to a school?

RENEE FRY: No, it does not.

GROENE: No, you can't.

RENEE FRY: No, I'm not suggesting that. What I'm saying is, it is subsidizing you know, for parents--

GROENE: It is not. It's subsidizing parents giving them a tax break. We give them many tax breaks, do we not, to healthcare we give tax breaks.

RENEE FRY: And this would just be the first time we would do that for private K-12 education.

GROENE: And they complained about veteran farmers getting a tax break. That takes money out of the coffers that might go to education. So I don't see the connection here, the direct connection to public education in this tax break.

RENEE FRY: So again maybe this is a conversation we have--

GROENE: There's no competition between private schools.

RENEE FRY: Yeah. So maybe this is a conversation we have for other people. As I said, the reason that we're here and object, and we're objecting is the creation of a new state tax deduction.

GROENE: There you go.

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RENEE FRY: That's what we're concerned about.

GROENE: That's honest. All right. Thank you.

SMITH: Further questions from the committee? I see none. Thank you, Ms. Fry, for your testimony. Next opponent. Welcome.

JOHN BONAIUTO: Thank you, Senator Smith, members of the committee. John Bonaiuto, J-o-h-n B-o-n-a-i-u-t-o. I am representing the Nebraska Association of School Boards. The opposition testimony I give today is based on the position of the school boards association's delegate assembly and they have voted to unconditionally oppose tuition tax credits, and I'll slip in vouchers and charter schools at the same time, that are not subject to the oversight of local school boards. This effectively creates a separate unaccountable system of public education funded by the state. Earnings on the money of the 529 NEST plans would not be subject to state tax in Nebraska. This drains resources which are already under attack under the various property tax reform proposals and the general spending cuts and the efforts to reduce tax revenues. The tax, the reduction of state tax base will reduce the funds that are available for special education and other expenditures from the General Fund including state aid. The sudden expansion of 529 plans will have a very real impact on public schools due to an unanticipated hit to the state's budget, the state's revenue. NASB opposes the expansion of the 529 plans. It has nothing to do with the higher ed portion. Lack of funding at the state level has the potential to add to the local property tax burden when schools need to find alternative sources of revenue. With that, we request that this bill be held in committee. I'll conclude my testimony.

SMITH: Senator Groene.

GROENE: So in that light, we had an earlier bill about veterans on new farmers that would take money out of the tax coffers of the state. Do you recommend that we do not pass that bill also?

JOHN BONAIUTO: Senator, I am testifying based on a position that I've been told to testify on that our school boards have, have had a chance to look at and voted on. So I don't have a position on that other bill.

GROENE: Thank you.

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JOHN BONAIUTO: I'm a good lobbyist. My position is what I'm told it should be. [LAUGH]

GROENE: But you see my point.

JOHN BONAIUTO: I do.

GROENE: Any type of things that limits the state coffers or tax credit you would basically be against because-- it's not just this one.

JOHN BONAIUTO: No. I mean, we believe that the priority is funding public education and that and that is what we advocate for.

GROENE: Do school, does the School Board Association really care where a child goes to school as long as they get an education? You're not competing with anybody, are you?

JOHN BONAIUTO: No, we are not. And the public schools are available and the doors are open to every child. But we don't see it as a competition. We don't.

GROENE: It's a government entity that the people in Nebraska expects to do a good job and are willing to fund. Is that not true?

JOHN BONAIUTO: Yes, Senator.

GROENE: Thank you.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. So is it your testimony today that you're a lobbyist and not a priest?

JOHN BONAIUTO: Yes, Senator, although I did go to parochial school and it-- you can see that I'm probably in big trouble right now.

SCHUMACHER: Thank you.

SMITH: I see no further questions. Thank you, Mr. Bonaiuto, for your testimony.

JOHN BONAIUTO: Thank you, Senator.

SMITH: Next opponent. Welcome.

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TIM ROYERS: Hello. Hello, Senator Smith, members of the Revenue Committee. For the record, my name is Tim, T-i-m, Royers, R-o-y-e-r-s. I'm the 2016 Nebraska Teacher of the Year and I'm here today representing myself in opposition to LB804. LB804 would offer little actual benefit to most Nebraskan families. Allowing 529 contributions to pay for private education defeats the primary purpose of having the account in the first place. The primary reason to have a 529 is because you can spend nearly two decades slowly growing your funds for postsecondary education. Allowing the 529 to be used for private K-12 defeats the purpose. The fund simply doesn't have the time to build. That would mean that the tax reduction for your contributions are the only potential benefit to this bill. That said, working poor and middle-class families would see little to no tax benefit for the contributions based on when in the calculation these dollars are factored into our tax obligations. To even see \$500 in tax relief, a family would need to save more than \$9,000 a year in a 529 which means that really the only people that would benefit from this are the most wealthiest Nebraskans, those who have the absolute lowest need for that kind of relief. Not only does LB804 offer little individual benefit, the false premise of a benefit that it offers would drive up participation and drain the state of needed resources. Even with the negligible individual impact, taken in aggregate it would cost the state millions of dollars in revenue at a time when we are desperately short on funds to begin with. And the fiscal note indicates that the amount of revenue the state loses will grow with each passing year as a result of this bill. This is a core economic concept known as the fallacy of composition. What may seem beneficial on an individual level may actually be harmful if done by many. And that brings me to the most important reason you should oppose LB804. It has little to do with dollars and cents and a whole lot to do with the principles upon which this state stands. The laws that you approve as this body are moral documents, and they reflect not just the funds that you approve but also the priorities and beliefs that you want to enshrine in this state. Public education is a pillar of our nation that predates the constitution. It was vigorously supported by our Founding Fathers. It is an obligation under our state's constitution. Yet this bill quite literally concedes that the state lacks the adequate resources for the, quote, continued operation and maintenance of the state's public institutions of elementary and secondary education. That's the bill. Think about that. We know times are tough for funding. Teachers across the state have been living that reality the entire decade. But this bill literally codifies into law a text that admits defeat in our quest to provide children with access to the great equalizer, an

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outstanding public education, something that our constitution says we must provide. LB804 offers the false promise of tax relief that will drive participation in a way that will actually harm the education of far more children across the state than it will ever benefit as it denies our children millions of desperately needed dollars. A vote for this bill would be an admission on your part that we have given up on adequately supporting our public schools. I urge you to vote no on LB804. Thank you. Any questions?

SMITH: Thank you, Mr. Royers. So you were Teacher of the Year.

TIM ROYERS: Yes, correct.

SMITH: Well, congratulations.

TIM ROYERS: Thank you.

SMITH: Now where do you teach?

TIM ROYERS: I teach at Millard West High School.

SMITH: Millard West, okay. That's a good school. And you certainly have a great classroom voice. So I imagine you keep them under control.

TIM ROYERS: It works to my benefit, yes.

SMITH: There you go. All right. Well, thank you for being here and for your testimony. Questions? Senator Lindstrom.

LINDSTROM: Mr. Chairman, more of a comment. As a Millard West grad, thank you for all you do.

TIM ROYERS: Thank you.

LINDSTROM: Congratulations on being Teacher of the Year. You did mention something about not having enough time to build up enough--

TIM ROYERS: Sure.

LINDSTROM: --to make this worth it.

TIM ROYERS: Sure.

LINDSTROM: You know, working and talking to retired-- grandparents, not that I'm [INAUDIBLE] you, grandparents. And as a young dad, if

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there's not an option to save for my child's education, I was a public school kid.

TIM ROYERS: Sure.

LINDSTROM: And if my kids want to go that way, that's, that's great. But it's used more as a tool to pass along potential intervention in the lives of their children and education purposes. So just giving somebody the option to do so I don't think is necessarily a bad thing. And if the day my child is born I put that money in, they can grow to a substantial amount over that short amount of time that I can use for that and maybe I don't use it for K-5, maybe I use it for 6-8, sixth, seventh, eighth grade and thereon after. So I guess I don't agree with you on the sense that there's not enough time to build up enough to utilize for that education, but.

TIM ROYERS: Would you, would you certainly agree with me though, Senator, that when you're comparing if a family chooses to actually start using these funds in kindergarten versus freshman year of college that is a significant reduction of time to build. And for a middle-class family then maybe you can only afford to put in a little bit each month, that's a lot of years. That's a huge difference in what you might be able to contribute.

LINDSTROM: I wouldn't agree, I wouldn't disagree with you with that. Yeah.

TIM ROYERS: Yeah.

SMITH: I see no, oh, Senator Groene.

GROENE: The new tax code, it was said on the floor today the new tax code, families lose individual deductions and it's about family.

TIM ROYERS: Sure.

GROENE: And if we leave it alone, it's going to bring \$200 million into the, into the coffers. You believe we should change our tax law to make sure that families get their child deduction on their income?

TIM ROYERS: Are you asking me if at the state level we should align our tax code with the revised federal tax code? I think you campaigned and won the election to make that hard call, Senator Groene. But to get to your question, I think that it's our obligation to do whatever we can to fully fund our schools, whether that means looking at

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revenue, whether that means looking at how we spend elsewhere, yeah, I think all options should be on the table.

GROENE: So we shouldn't return the child deduction to parents, to families. We should instead keep the \$200, the \$200 million to fund schools.

TIM ROYERS: I mean that's, again, that's a decision that this committee is going to have to make. What I'm telling you is you're, you're looking at it's a question of opportunity cost. I mean, yeah, absolutely as a family living in Nebraska that would be great. But at the same time, I'm also looking at kids who are getting denied educational opportunities because their classroom sizes are increasing, the number of teachers in the state are decreasing, and they're not getting the interventions or support that they need to receive a proper education. So I think that it's imperative that you, as senators, take the long view because those of us that are living month to month trying to do what we can for our family maybe we don't have the time or the perspective to look at those large impacts on the state funding when you make decisions like that.

GROENE: So your only complaint is you're losing tax dollars, not that somebody's saving and spending their-- sending their child to--

TIM ROYERS: With this particular, with LB804? I have, I have a fundamental problem with the fact that we are simultaneously reducing our resources for public schools and encouraging investment into private schools. Yes, I have a very specific complaint with this bill.

GROENE: So as I asked the last testifier, should we not pass the one about the veteran farmers [INAUDIBLE]?

TIM ROYERS: I believe if I recall from listening to the testimony, the fiscal note indicated that there was no net loss of state revenue for that bill. Is that not correct?

GROENE: There were lease own it said.

TIM ROYERS: The fiscal note said eight to eight million, correct?

GROENE: What's that?

TIM ROYERS: The fiscal note, did it not?

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SMITH: Well, we can't have an exchange back and forth. You can't ask, you can't the senators questions.

TIM ROYERS: But it's so much fun!

SMITH: You come join us on the side table and then you can do that.

TIM ROYERS: My wife might not appreciate that.

GROENE: One last question. Why didn't you repeat, why aren't you a repeat champion?

TIM ROYERS: I don't think that's, actually that's not in the rule. You can't do that.

GROENE: You can't do it twice in a row. All right.

TIM ROYERS: Yeah, so.

GROENE: Thank you.

SMITH: Further questions from the committee?

LINDSTROM: I was just curious what classes you teach.

SMITH: Senator Lindstrom.

LINDSTROM: Sorry, I'm sorry, Jim-- what classes you teach.

TIM ROYERS: Yeah, I teach U.S. government and economics. And in fact I had four of your colleagues up. We do a mock Unicameral with that class so I had four of your colleagues come up and testify in front of-- they ran a committee just like this one actually.

SMITH: You should include Senator Lindstrom in the future.

LINDSTROM: Yeah, where was my invitation?

TIM ROYERS: I invited the Millard West area is what I did. Next year I will expand the reach. And then I teach a regular world history and AP world history for sophomores.

LINDSTROM: Great, thank you.

SMITH: Very good. Thank you for choosing teaching as your profession.

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TIM ROYERS: Thank you very much.

SMITH: Thank you for being here. Next opponent.

REGINA WERUM: Good afternoon, everyone. Oh, this is low. My name is Dr. Regina Werum, R-e-g-i-n-a W-e-r-u-m. I live here in Lincoln. I represent myself. And I'm the second social science teacher here today. So I'm here today to express my opposition to LB804. At face value it sounds really tempting. Lower taxes, right? Your intent is most likely both genuine and benign. But what are the predictable consequences and for whom? Who benefits from this and how can this be viewed as a fiscally responsible, never mind conservative, initiative? So who benefits? Households with incomes so far above the state median of around \$50,000 a year for people that they can maximize benefits from the available, that's the second part of this, federal deductions, maintain 529 plans for college, and still squirrel money away for K-12 schools. In other words, not the bottom 90 percent of households in Nebraska and very few households outside of the state's two major urban areas. Is it prudent? Maybe. Is it fiscally responsible? No. First of all, in combination with the other bills you're considering, which means slashing the budgets for public education, it's a disastrous idea. Second, I see no accountability mechanisms built into this bill. What I do see instead is a bank monopoly. First National Bank stands to make a killing on fees paid by the state. And that means taxpayer like me pays that fee. I see the functional or rather virtual equivalent of an offshore tax haven for the rich. I see a blatant effort to bolster private school expansion at the expense of undermining our excellent public K-12 system. Do we really need or want even more hypersegregation by class and race/national origin? We're already heading back to pre Brown v. Board of Education in terms of segregation. But maybe it's perhaps a strategically wise choice long term, right? No. So I'm a historian and a social [INAUDIBLE] education policy expert. I'm having a deja vu all over again here moment here so indulge me for a second. History has already tried to teach us this lesson about unregulated tax havens and vouchers for private school providers. The first G.I. Bill, well-intentioned as it was, contained a major flaw that almost derailed the entire system and required that the government institute post hoc safeguards implemented in the 1950s to rectify and then prevent fly-by-night private postsecondary training providers from pocketing the lion's share of taxpayer financed G.I. benefits intended to go towards accredited public and private providers. LB804 would re-create a historic mistake originally made with the first G.I. Bill,

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but for the K-12 sector. It will no doubt undermine Nebraska's public K-12 and its positive impact on accredited private schools is also dubitable. Please let me explain. So this original G.I. Bill in 1944 played a crucial role in the expansion of the postsecondary education sector. Everybody kind of knows that, right? It increased the types of public and private providers, institutions, programs, enrollments, degrees, everything. The majority of beneficiaries of early G.I. Bills used their benefits to obtain technical and two-year vocational certificates. The majority of that taxpayer money went into private sector providers of such technical training. It led to a pretty brief boom in the for-profit sector, especially those taking advantage of tuition payments directly. And it spurred amendments to the original bill that set the first parameters for making sure that no new further fraud could occur. In other words, the unintended consequences of flaws in the original G.I. Bill continue to reverberate, reverberate today. What I see here makes the fiscal conservative in me shudder, and it makes the social justice driven Jesuit in me shudder too. You will find out that initiatives like this will weaken our state rather than strengthen it. This type of school privatization doesn't work well. It's antidemocratic and it doesn't serve our nation's schools. Thank you.

SMITH: Thank you, Dr. Werum. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you for your testimony. Are you saying that your reading of this bill does not require the elementary or secondary school to be accredited?

REGINA WERUM: It doesn't. It's nowhere in there. So for example-- So you could, you could, you could see for-profit schools being established for the purpose of being able to partake in these on-line virtual schools. We're already seeing this in the, in the postsecondary sector where the for-profit schools there's has-- there's been huge enrollment growth in for-profit schools. They've been involved in a series of lawsuits concerning fraud, lack of job placement. They've been under investigation for taking a lot of the taxpayer funds that are related to Pell Grants and student loans. So we can easily see a parallel dynamic developing in the K-12 sector among the for-profits.

SCHUMACHER: And are you saying that the federal law that just was adopted does not require, will give federal benefits to nonaccredited--

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REGINA WERUM: That I don't know. I have not--

SCHUMACHER: Thank you for pointing that out. I had missed the lack of the word accredited in there. Thank you.

REGINA WERUM: Yep.

SMITH: Senator Groene.

GROENE: Set the record straight. I'm not a Catholic and my children and my grandkids go to public school. I spent seven years in a parochial school--

REGINA WERUM: Good.

GROENE: --and did well in it. But you said something about segregation. Have you ever been across the street at St. Mary's?

REGINA WERUM: Yes. Very, very small, loving school.

GROENE: Where do you see segregation? Have you been in a lot of the parochial schools and seen the makeup of the schools?

REGINA WERUM: Yes, I have, sir. Yes.

GROENE: Do you see any one race or one other or one income level?

REGINA WERUM: My son goes to public school. I'm a proud LPS supporter. And frankly, if I may interject on the issue of subsidies--

GROENE: If you're asked a question.

REGINA WERUM: If you would allow this tax benefit, this tax deduction to go to public school parents too, I'd be all ears. But then the expectation would be that I return those \$10,000 to the public school system as a donation or something, LPS Foundation, I'd be happy to do that. But it is-- becomes a subsidy when it becomes possible for people with the means who want to opt out as opposed to opt in. But your question was am I familiar with the local parochial school system, absolutely, yes.

GROENE: But you would imply that they were segregated or--

REGINA WERUM: They are no less segregated than the public school system.

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GROENE: All right. Thank you. I want to make that clear that you didn't mean that for your own defense.

REGINA WERUM: Um-hum.

GROENE: All right. Thank you.

SMITH: I see no further questions. Thank you for your testimony.

REGINA WERUM: You're welcome.

SMITH: Next opponent.

ANN HUNTER-PIRTLE: Good afternoon, Chairman Smith, members of the Revenue Committee. My name's 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, a nonprofit dedicated to advancing public education in Nebraska. We oppose LB804 because it mainly benefits families who can already afford to send children to private school. It could cost the state's General Fund up to twice the amount indicated in the fiscal note, thereby potentially harming public schools, and it benefits a single bank at taxpayer expense. These forms of tax deductions in other states have been shown again and again to almost exclusively benefit families who can already afford to send their children to private school for the simple reason that you need money to save to take advantage of the tax benefits. Even owners of existing 529 plans in Nebraska make three times the state's median, median income on average. Proponents say this bill would simply bring state statutes into line with new federal provisions that expand the scope of 529 savings plans to K-12 private education. However, state level tax credits up to \$10,000 a year for the use of these accounts have nothing to do with federal tax reform and would cost Nebraskans millions each year at a time when the state is already facing a \$200 million shortfall. The Legislative Fiscal Office indicates that it made its calculations assuming just half of eligible families would open a 529 account for their students. We believe those numbers could be significantly higher. If you're a family already paying private school tuition, why wouldn't you open a 529 account under this bill? You can make a deposit on December 31, 2020, withdraw it on January 1, 2021, and receive full benefits. The cost falls squarely on taxpayers and public schools. Assuming maximum participation, the fiscal note doubles to more than \$12 million per year based solely on the number of currently eligible students. Senator Brasch's amendment kicks the can down the road setting up the framework for this bill but delaying

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its fiscal impact until many in this Legislature have been term limited. Finally, we have serious concerns about the benefits in this bill to a single financial institution. First National Bank is the sole provider of 529 savings plans in Nebraska. There's been some discussion in this hearing about leakage of 529 plans to other states. The only entity affected by this so-called leakage is First National Bank, not the state of Nebraska, not Nebraska citizens. We're also troubled by the provision on page 17, line 9 which states that the State Treasurer or his or her designee may "Establish, impose, and collect administrative fees and charges in connection with transactions of the trust, and provide for reasonable service charges, including penalties for cancellation and late payments with respect to participation agreements." This section appears to invite First National Bank or a subsequent provider to work directly with the state treasury to set bank fees on 529 accounts at whatever level they choose and taxpayers will foot the bill. There is no opportunity for public input, comment, or oversight on this process. For these reasons, we oppose LB804 and urge you not to vote it out of this committee. Thank you. I'm happy to take questions.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony. You've obviously looked at this fairly closely, probably a lot more closely than what some of us have. In your reading, let's say you have four well-to-do grandparents and two parents well-to-do. Now the restriction here says it's limited to \$10,000 per beneficiary. But is that per account so can grand-- We have four, grandma-- two grandpas, two grandmas, and parents so we got six accounts and let's just say one grandkid involved with this. So can that, can you sock away \$60,000 a year?

ANN HUNTER-PIRTLE: That is, that is my understanding of the bill as written that yes. Each donor, let's say, can set up their own account, fine if it's the same beneficiary, and sort of rack up as much as possible for that one, one student.

SCHUMACHER: And if you wanted to send the grandkid then to college in New York at \$60,000 a year tuition-- Okay. I understand now. Thank you.

ANN HUNTER-PIRTLE: That's my understanding, and I do want to point out one other concern that we have. My understanding of the bill currently I believe that under a current 529 college savings plan you're-- the

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IRS gives you I believe it's a 1098 form at the end of the year, reporting how much you contributed and listing the tax benefit. The federal tax reform that just passed did not include that same provision for K-12 expenditures. There is no federal mechanism from the IRS reporting how much you actually put into an account like this which means that the only way that we actually know that folks are limiting their contributions to \$10,000 is if they get an IRS audit, without some state fix.

SCHUMACHER: Because we don't do independent audits--

ANN HUNTER-PIRTLE: Right.

SCHUMACHER: --with our Revenue Department.

ANN HUNTER-PIRTLE: Right.

SCHUMACHER: Thank you.

SMITH: I see no further questions. Thank you, Ms. Hunter-Pirtle, for your testimony. Before we move to the next testifier, I want to go back to see if we had any remaining proponents on this bill and we'll take those proponents. Seeing no further proponents, we move on then back to opponents. We do have one letter for the record that was sent in, in support of LB804 from Rachel Terry. Welcome.

JULIA TSE: Thank you. Good Afternoon, Chairman Smith and members of the Revenue Committee. For the record my name is Julia Tse, J-u-l-i-a T-s-e. And I'm here on behalf of Voices for Children in Nebraska. Voices for Children is a nonprofit, nonpartisan, independent voice building pathways to opportunities for all kids and families in our state. We, like many of you, believe that children are Nebraska's greatest resource and that we all have an interest in ensuring that they can reach their full potential in adulthood. We all understand that a college education is one of the most effective promoters of economic mobility, but it remains out of reach for many low-income children. We are opposed to LB804 because it diverts state resources away from the intended purpose of 529s without addressing the very serious underlying issues that are present in our existing plans. It is estimated that by 2020, 71 percent of jobs in Nebraska will require some form of postsecondary education. Skyrocketing college tuition costs put the most pressure on low-income students. The average tuition and fees for a public four-year institution in our state was just over \$8,000 per year. For many Nebraska children, the odds of

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attending and completing college are often stacked against them from birth. It starts with financial hardship, upfront costs, sticker shock, lack of information and appropriate counseling, lack of access to accelerated coursework that will prepare them for college, and the guiding hand of parents who have been through the experience. Research shows that there is a solution to this problem and that is that we can promote college-going behavior early if we incentivize educational savings. You'll find attached to my testimony some analysis that we did of the Department of Revenue's data on 529 adjustments and then also an issue brief on some of the research that we're talking about. But a key problem is that although 529s have been designed to offer a secure way for families to invest, the reality is that a very small, small portion of our low income children are benefiting. Here in Nebraska, though low-income families represent nearly 60 percent of our tax filers, they represented 3 percent of the benefits in tax year 2015. Families with an AGI of under \$30,000 received an average of \$2,384 in 529 adjustments in that same year while filers with an AGI over \$500,000 received almost four times more on average, about \$8,108. We are concerned with LB804 and I should say that I talked to Senator Brasch's aide about this issue, and we had a very good discussion, but our primary concern is that we should be prioritizing improvements to program design because it's clear that 529 programs are not accessible to all children for many reasons. And the, the issue brief that I attached goes into some of those reasons. For those, for those reasons that I outlined, we would recommend that any substantial changes to existing state-sponsored educational savings look to ensure that all children have access to and benefit from 529s. We are thankful to Senator Brasch for her time and attention to the issue of savings for children and families and would urge the committee to not advance the bill. Thank you.

SMITH: Thank you. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith, and thank you for your testimony. When we look at the benefit to children and the cost of public education and things like that, I come from a district where there happens to be three extraordinarily strong parochial schools. And those parochial schools are in two, actually three tax districts or school districts that have enjoyed reasonably low, in fact, a couple of them very low, assessment rates. They don't have to pay much. So those parochial schools probably are enabling those very low assessments in addition to the fact that the land is extraordinarily valuable land, rural land. So to the extent this would help a

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parochial school stay in existence and help encourage the parochial schools that are in existence to stay open so that the public schools can be run cheaper, then isn't that a good thing?

JULIA TSE: I think I'm wading into some very tricky waters. I know that when, I knew that when I came in here, but Voices for Children doesn't have a public position on this issue over vouchers and private schools.

SCHUMACHER: We're just looking at money. I mean, they seem to-- The ones that are in existence now--

JULIA TSE: Sure.

SCHUMACHER: --seem to provide an okay education. It's debatable whether it's better or worse than the public but an okay one. And reduced public school costs substantially. If they were to close their doors at the beginning, send out a notice on August 1 to the public school, we just can't make it anymore, we're locking her up, the public schools would have a tremendous surge and expense.

JULIA TSE: I think I understand. And I think our perspective is that while there is equal access to K-12 in our state, there is not-- there is far, far from equal access to quality postsecondary education. And that problem starts when children are born because they realize that college costs this much and their family is already struggling to make ends meet. From there the research shows that maybe they don't participate in school or they don't seek the advice of a counselor or they don't show up because why bother. So I think that looking into some of the research about 529s and how effective they can be there is a real opportunity for us to make sure that more of Nebraska's young people are able to reach their educational goals.

SCHUMACHER: Thank you.

SMITH: I see no further questions. Thank you for your testimony.

JULIA TSE: Thank you.

SMITH: The next opponent. Welcome.

SARAH THOMAS: Thank you so much. Okay. Good afternoon, members of the Revenue Committee and concerned session attendees. I'm Dr. Sarah Thomas, S-a-r-a-h T-h-o-m-a-s. I'm a secondary English education professor of practice at the University of Nebraska in Lincoln. My

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professional history involves teaching at the public school level, both middle and high school levels, for nearly 20 years, then transitioning into a professorship for the last eight years at UNL. To complete this professional pathway, I've completed 14 years of higher education myself. One of the privileges of my positions involves spending a great deal of time in most of Lincoln's secondary schools observing and coaching preservice teachers. What continues to confound me about the bill pipeline that aims to defund my field which is fundamentally, if we're being honest this pipeline of bills aims to do, is that experts in the field like myself are not invited to the table to offer consultation. State senators authoring and backing these massive proposals to transform public education are not educators themselves. That positionality is presumptuous at best and nefarious at worst. Support for LB804 is ill-advised and is part of a larger, as I suggested, a larger strategic campaign to defund public education. It's a little part of a greater chess game. This reality is undeniable so for Senator Brasch to claim naivete in this regard to suggest she's confounded by public educators' resistance being up in arms is quite frankly disingenuous and honestly insulting. It seems crucial for this committee to involve the perspectives of field experts, and I hope that moving forward you will continue seeking and representing such expertise while making decisions for our state. Honestly and I really feel like I can speak holistically for most in my field, one of the greatest frustrations I have and I have my ear to the ground in lots of places, just came back from an international conference in education presenting there. One of the greatest frustrations overall is that policymakers are proposing these sweeping wholesale changes to public education without partnering, without consulting experts in the field. So thus I'm offering my consultancy services and have committed to writing every senator within and beyond this committee each day through April and I'm coming to the Capitol every day to deliver these until confirmation of our state budget in April which aims to gut the University of Nebraska system. I've lived, I'm part of several committees. I don't represent the university here but I'm part of several committees on campus where there are very clear human faces attached to these decisions. Almost \$10 million cut this year; proposed over 11 next; 23 the following. We can't even conceive of what that will do to disable public education at that level. So this letter first aims to provide a context for a pretty wonderful experience I had with the Governor's father actually. I was a representative of the Malaika Foundation--

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SMITH: Dr. Thomas--

SARAH THOMAS: --and I'll close here, where Joe Ricketts and his Opportunity Education Foundation partnered with me and others in Malaika and at UNL, we had an incredible experience where we flew the First Lady of Tanzania to campus and she addressed education on a global scale. Where's the partnering? We're not at war. Okay, where's the partnering, private/public? I'm asking. I'm ask-- I'm offering more of a connection there and I know I can speak for my field in that regard. We want to be involved. We want to be consulted. Thank you.

SMITH: Thank you, Dr. Thomas. Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you for your testimony.

SARAH THOMAS: You bet.

SCHUMACHER: Just out of curiosity, you said we flew the First Lady of Tanzania to some conference here.

SARAH THOMAS: To university, to UNL, about three or four years ago.

SCHUMACHER: Who picked up the tab for the flight?

SARAH THOMAS: It was-- We secured a variety. So I was part of a team to secure grant writing with Humanities Nebraska, Opportunity Education, which is Joe Ricketts' Foundation. He contributed. It was a massive public and private endeavor to create an experience that was open to the entire community, not just--

SCHUMACHER: Do you know how much public funds went into flying her here?

SARAH THOMAS: There were no public funds that went into fly her here, no.

SCHUMACHER: I was just curious on that. So I have a follow-up, one question, try to tie it to this-- this bill. Now we know it isn't going to happen because the parochial schools are driven by religious ideology so they are going to stay open. But suppose they didn't. Are the public schools prepared to assimilate their population and at what cost?

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SARAH THOMAS: Are the public schools prepared to assimilate parochial school populations?

SCHUMACHER: And at what cost?

SARAH THOMAS: Well, I would say that that's already going on especially in terms of special needs students that cannot be adequately supported in private school structures. I mean it's public-- Public education is [INAUDIBLE] I mean that is the greatest opportunity for our students who have special needs.

SCHUMACHER: So if we were to adopt this bill with the provisions that say there's a Nebraska tax bonus involved and that it would go to an accredited schools, is it your suggestion then that we require the parochial schools to accept and provide for special education and all the things that the public schools provide for?

SARAH THOMAS: Well, I mean I think that's one of the issues is that, that parochial schools can't, you know they have a selective process, and they can very easily reject kids who are not easy to teach, right, or not part of the profile, the demographic, or whatever that they want in their schools. So to say that this is not happening, you know, is naive. You know that there is very clear, a very clear selection process. And that just in my experience, and research bears this out, that those who have particularly really profound special needs, you know, the only option is for public school. And so, you know, yeah, I mean I think, I think-- the bottom line I guess is that I'm suggesting this piece is a larger, a piece of a larger puzzle that aims to do significant, really irrevocable damage to public education K-16-plus.

SCHUMACHER: So you're saying basically the parochial schools can deliver better, faster, cheaper because they can select out the problems.

SARAH THOMAS: No, they don't. They don't because they pay teachers poorly, first of all generally speaking, and there are lots of, there are lots of limitations in that setting as well. And my, my point is not to suggest that-- that public is better than private. I just fundamentally have such a problem with defunding school in general, public education in general. And clearly right now there is a concerted campaign to do that.

SCHUMACHER: Thank you.

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SMITH: Senator Groene.

GROENE: You know, as Education Chair, I used to believe that the parochial schools took the kids they wanted but because of the studies. Did you know that a private school cannot accept federal special needs spend money? Did you know that? They cannot apply for it. So when they take a special needs child, they pay for them themselves and it doesn't show up in the statistics. People show statistics that say they don't take any. They do take them. They just can't apply for special education funding. Did you know that? So when you look at blind statistics--

SARAH THOMAS: Hmm. And we could get into the weeds on that. But I don't know if that's fundamentally the point of today.

GROENE: You-- I'm-- since you're here and we've had stories about the English department, you're part of-- you English department? And you want to be inclusive?

SARAH THOMAS: Is that like saying am I part of the Communist Party?

GROENE: No, I didn't say that. An educated person shouldn't draw conclusions. But you want inclusion, you want to be included. There's a lot of different political thought, theories in life how things should be done. Do you think it's by chance that there's 71 college professors and not a single registered Republican in the English department? Or do you think there was an inserted [SIC] effort to keep only certain political viewpoints in that department?

SARAH THOMAS: I think you're treading into very tricky territory right now, Senator Groene.

GROENE: I'm just asking you a question [INAUDIBLE].

SARAH THOMAS: It's clear to me and I've followed you closely.

GROENE: Well, thank you.

SARAH THOMAS: It's clear to me where you stand on these issues. I will continue to say I will be here every day through April when everybody votes on the budget. And I-- I have never been more passionate about this position to continue funding, to invest--

GROENE: So--

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SARAH THOMAS: --not divest from public education.

GROENE: So if you follow me, you've seen my statements. I am pro education. The greatest--

SARAH THOMAS: You are also not an expert in the field I might add.

GROENE: That-- We've turned it over to the experts, Miss, and you see the ACT scores?

SARAH THOMAS: And it is Doctor. It is Doctor.

GROENE: Did you see the scores, the ACT scores?

SARAH THOMAS: So I think you're taking me down a trail that seems somewhat irrelevant to me.

GROENE: I want to improve education across the board is my goal.

SARAH THOMAS: You have a very clear agenda as well and it is not supportive of my field. And I can speak-- I don't honestly know--

SMITH: Thank you, Doctor Thomas.

SARAH THOMAS: Thank you very much. Thank you.

SMITH: Next opponent to LB804. Welcome.

SUSAN WATSON: Opponent or proponent?

SMITH: Opponent.

SUSAN WATSON: Okay. [INAUDIBLE] right one.

SMITH: Nonsupport or opponent.

SUSAN WATSON: Right, that's me.

SMITH: Welcome.

SUSAN WATSON: Hello and thank you for having this hearing. My name is Susan Watson, W-a-t-s-o-n. And I wanted to talk about how Congress has changed the 529 college savings plans and how the states are going to suffer. The \$10,000 in taxes is-- total \$10,000, not a percentage of \$10,000, it's a total of \$10,000 and that's per account, per beneficiary. And this is not saving for education. It's more of a

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run-through account which is not compounding interest if it's taken out when your-- the kids are little, K-12. The money goes in, the money comes out very quickly, not a lot of time to compound interest unless you're making very large contributions into the fund. You know, we already have severe tax revenue shortfalls. We're hemorrhaging money and cutting vital services. And this bill will create more chaos and be damaging to many Nebraskans and I think especially to Nebraska public schools. This bill is creating pass-through system to do basically tax evasion right in open and legally. People can put money in one month and take it out the next and do it while completely avoiding taxes. This is going to have a major impact on tax receipts. As the woman-- and I apologize, I think she was from First National Bank-- stated earlier, this 529 provision was originally created to help people save money for their children for college. They thought the tax break-- the people who created this bill or this provision-- they thought it was a good idea because it would help people save money for their children for college. And they thought the tax break was a good tradeoff because it was worth people saving money in the long term for their kids going to college. It was investment for the future of the children and for the state where they lived to have these children be educated in the future long term. And it was never meant for short-term use or short-term tax evasion. The real beneficiaries of this bill are the affluent families who already have kids in private K-12 schools. They'll get a nice tax break from their kids in the K-12 schools. Lower income families don't have the money to take advantage of this bill. Now I do not hold fault with families that do well financially. Truly, good for them. I think it's great. But I find fault when the law is changed just to benefit them and also hurt those in public schools and those of lower income. What happens to the children whose parents have used this money in K-12 and then something happens to these parents' income? They will lose the college funding that this was meant to set up to protect them for. They will-- that's what this was, this 529 provision was intended for, for their college to try to keep them from having 20 to 30 years' worth of student debt to pay off. It was set up to get them through college. You're either going to have to take a very large additional tax loss to the state year after year from here on out or you can do the right thing with this bill and repair the hole this bill is going to create. Thank you.

SMITH: Thank you, Ms. Watson, for your testimony. Questions from the committee? I see none. Thank you for coming today.

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SUSAN WATSON: Thank you.

SMITH: Next opponent. I do have letters-- opponent?

DONNA ROLLER: Yes.

SMITH: Okay. Welcome.

DONNA ROLLER: I'm Donna Roller and my name is spelled D-o-n-n-a R-o-l-l-e-r. And I prepared a testimony but I'm not going to read it and I'm not, I'm not an expert on this topic and I do my best to keep up with the barrage of legislature to be doing my part as a democratic, in the democratic process. But we've had so many excellent testimony I cannot compare to that. So there's a few things that are probably going to raise your hairs, but I'm going to offer it as a thought process. For one thing this bill, this-- this particular thing to allow K-12 was introduced by Ted Cruz. And, and Ted-- this bill, the redirection of these funds is not going to affect Texas one bit. You know why? They don't have income tax. So he's dumping this problem on all of the states that do have income tax and a 529. I also have a problem with, as has been stated, that this is redirecting funds to public schools. And there was an NPR article about, yes, this funding will take money away from public schools. And I'm not one that's saying I love public schools because I was a private preschool owner and I ran a Montessori school and it was very, very, very hard and I gave 15 years of my life without an income to matter. And so when people say we need funding for this school, this school, my sacrifice was me. And so I don't want you attacking schools for the mere fact that I have experience and that I could accept children with a range of differences. But I could not do the public school role of special education and the needs that they-- the special needs that they are required. So what are we going to do when we dump all the money out of public schools? Are we going to put them back in the Beatrice regional center because there's not enough money for the normal kids and the disadvantaged kids? That's, that's my whole thing. And frankly there's, there's a difference here. We got college money which, which is not paid for and we got preK-12 which is paid for. So we're comparing apples to oranges so you want to dwell into a private, saving for private for a school that is not paid for in our taxes, comparing that to schools that are in our taxes, we can't do that. And I'm glad the accreditation thing came up because while I was listening to all this, I was going-- This is going to raise your hair-- because I was saying, okay, what's to prevent me from opening a private school, which I can do, and it won't be one of these. But what's to

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prevent an atheist from opening one, a Muslim school or a Satan school? Will you be for the bill then? You are treading on dangerous water here. That's all I have to say. And, and, you know, public schools is about free thought. Are we educating kids into an ideology, a religious ideology? Are we here for free thinking education for all? And that's all I have to say. And I don't even know if I can answer your questions because this just, just upsets me that I feel that every institution that we have grown up and depended on is under attack. And schools are under attack. Period. So that's all.

SMITH: Thank you, Ms. Roller, for your testimony.

DONNA ROLLER: Thank you very much for allowing me to speak and I want to thank you for still allowing this hearing and our democratic process.

SMITH: All right. Thank you for coming today. Other opposition. Anyone else wishing to testify in opposition? All right but move, move quickly. We have some letters to read into the record. So are there any other testifiers after this? Okay, welcome.

JUDY KING: Are there?

SMITH: No.

JUDY KING: Okay.

SMITH: Welcome.

JUDY KING: Sorry. My name is Judy King and I'm here to testify in opposition.

SMITH: And spell that for us, please.

JUDY KING: J-u-d-y K-i-n-g.

SMITH: Thank you.

JUDY KING: I'm here to testify in opposition to LB804. I believe in public education and I do think it's under attack right now from legislators all over the United States. And I do think we need more educators involved in making decisions in everything, especially, especially with the university and with this also. I'm someone who was raised in a family that went to church every Sunday. I grew up in a school system with friends that very religious, religious backgrounds

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and some who didn't attend church at all. Public service, excuse me, public school provided us with a valuable education and an opportunity to take the next step in life. Although there was a small number of religious schools in the area, we basically learned our religion at our perspective, respective churches and our education at the public schools. I-- this was a formula that allowed a diverse population and religions to exist together and flourish over the past several decades. Tax relief guarding religious specific instruction is not in everyone's best interest. It may have a secular favorability for a small group of people who may desire that specific outcome, but it does not have broad applicability for all Nebraskans. Most important, LB804 would open up 529 savings accounts, traditionally a long-term investment for college expenses, for use in tuition at private and parochial K-12 schools. What this means is that Nebraska's rich and wealthy families could take extremely large tax deductions and tax-free tuition at private schools while families at Nebraska's public schools would see massive cuts to the local public schools. I believe that it's in the, I believe that it is best that we learn our religion at church and our education at public schools and that we make our public schools a shining example for all of our children to attend and makes-- make public schools better and quit benefiting the rich at our children's expense. And that's basically it.

SMITH: Thank you, Ms. King. Just a moment. We may have a question here. Senator Groene.

GROENE: Thank you, Chairman. As Education Chair, I get a lot of e-mails. I get a lot of parents that send their-- apparently send their children to private school. Not one of them ever mentioned the public school, that they hate public schools, that they want to destroy public schools. All they care about is their child and they want to give an opportunity and they want to be able to afford that opportunity for their children. I just don't understand where this debate comes from. Well, you can't love education and understand its value to a democracy and that you wish to expand all opportunities for children, not to restrict. Do you understand what I'm saying from?

JUDY KING: Well, I totally understand.

GROENE: Can you--

JUDY KING: I have friends that have a lot, I have a lot of Catholic friends. And I agree, you know, that it's hard for them to pay the tuition. But I also say are you going to welcome in the Church of

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Satan in this or you know? I mean what are you open to here? Are you open to some bizarre things? You know, are we going to allow the Church of Satan to come in because I think they're gaining popularity now? Are we, I mean, are we?

GROENE: That's democracy.

JUDY KING: So you're okay with that.

GROENE: No, I'm not but that's democracy.

JUDY KING: Well, if you approve this bill, then you're okay with that.

GROENE: They can do that now, can they not?

JUDY KING: They're going to get a tax break like the K-12--

GROENE: They can start a--

JUDY KING: --if they open their school here in Lincoln?

SENATOR GROENE: And it has to be certified in the state of Nebraska.

JUDY KING: Sweet, okay, I'll have to tell them.

GROENE: It would have to be certified in order to do that and take students.

JUDY KING: Okay. Well, I mean, if you're okay with that.

SENATOR GROENE: They can do that now, can they not?

JUDY KING: Okay. I don't, I don't know. I did not think they could. But, you know, if you're okay with that then--

GROENE: All religions are allowed in the United States. It's called freedom I believe. Maybe I don't understand where you're coming from, but I have nothing against Muslims.

JUDY KING: My main issue is the money being cut from public schools.

GROENE: Now I can understand that one.

JUDY KING: Yeah.

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GROENE: But the other one, if a Muslim wants to start a school, I'm fine with that, it's America.

JUDY KING: I'm glad. I'm glad to hear you say that.

GROENE: I want to expand opportunities. I want that child and parents to have as many opportunities as they want and can, we can do as a government to make sure it's available.

JUDY KING: I'm, I'm really happy to hear you say that--

GROENE: Thank you.

JUDY KING: --that you would like Muslims here. I haven't-- I don't hear that very often so.

SMITH: All right. Thank you, Ms. King, for your testimony. We do have letters for the record that have been sent in in opposition: Jami Jo Thompson, Norfolk Public School, representing Norfolk Public Schools; Mary King, Lincoln, Nebraska; Rhonda Burbach, Lincoln, Nebraska; Dr. Mark Adler, Ralston Public Schools; Deborah Levitov, Lincoln, Nebraska; Tammy Day, Norfolk, Nebraska; and John Neal, Lincoln Public Schools. Those letters were sent in for the record in opposition to LB804. Do we have anyone wishing to testify in a neutral capacity? Seeing none, there are no letters for the record in a neutral capacity and we invite Senator Brasch back to close on LB804.

BRASCH: Thank you, members of the committee, and I know the hour is late. I'll briefly try to answer some of the questions that were posed and otherwise ask me off the floor. Again I'm, I'm astounded here that someone would interpret supporting private or parochial schools as being demeaning to public schools. I would not do that. Education is so important, but I would not confuse wisdom with the amount of education a person possesses. Some of the greatest people I know, immigrants to this country who had no education, are by far the most intelligent contributing individuals, not just to Nebraska but to mankind. And I grew up with that. I grew up bilingual. My parents came here. They were not allowed an education. I've always been a friend of public education. I attended public education. I attended two years of a private school, University High School, until it closed. I earned my college degree. I went to college at night because-- and worked full time during the day because I could not afford that college tuition. My parents were blue collar. I had to pay for my own education and I managed to do that. However, I'm a grandparent of five precious

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children. And whatever education they choose I will support because I know that an education is, is your future. It is the path to whatever vocation you choose. It makes you a citizen of the world. It makes you a person who understands that life is more than making a living. It's also making a life. But to get to some of the questions here, Senator Groene, you did ask a question. Yes, under the current laws a family could withdraw their 529 money and use it however they like, but they would be subject to having those taxes recaptured. They would not have the tax benefit. And the bill does not take money away from public schools because this is-- and I guess I'm offended that you would say people are squirreling away their money that they made. Oh, heavens. It belongs to the king. Is this the medieval-- I like the Robin Hood shows, you know, where the poor have to go steal and, you know, to take money that they made. But they made this money. They earned this money. They have their children. They decide where they want their children to go. But they still owe their taxes to the king. They still-- the state will get what is due for public schools and I'm good with that. And the schools are complaining that they are crowded and overcrowded and not enough time and maybe the private and parochial schools can help do some of the heavy lifting. But a person has the freedom to choose. This is not the Ukraine where my parents immigrated from, by the grace of God where a church helped them to come here. This is America. I can't believe we're having this conversation. And also that when you look at the graph, you know, that I provided, oh, no, they're not going to have enough money. You know, they're going to take it out. If a person started with \$200, you know, put a little bit of money aside and you don't even have to start with \$200 and you put \$1.66 a day in that account or \$50 a month, you'd end up with around \$23,000, you know, starting with year one up to the year 15 of school. You'd make an extra \$13,000 within that 23 because of this NEST plan. When I first started eight years ago, the Office of the Ombudsman came and they talked about incarcerated kids. And they talked that it cost the state \$60,000 a year, that we need to invest in our kids upfront and I believe that. That's part of our juvenile justice, you know. This is telling people and parents you can save your own money to choose what kind of education that you feel best fits your children. And that's not saying public schools are bad. Public schools are available, ready, able and people thrive in them too. But I also know many graduates of parochial and private schools here in Nebraska that have gone on and become outstanding citizens, college graduates, doctors, attorneys, you know, and others. A path to education is what is closest to what you are ingrained to. And everyone has a different reason. But wisdom versus education I think is demeaning that because

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you have a lot of degrees and numbers and letters behind your name, it doesn't make you better or smarter than anyone else. And this is a citizens' Legislature and citizens' senators. And it's because we have a mix of different levels of education that we are best qualified to make decisions like this. The other is as far as private and parochial schools that they need to go through the Department of Education and they have to be accredited or approved to qualify to send your students to. The only group that is not covered with this are the homeschoolers and they have certain exemptions. There are certain exemptions made. But education is an equalizer regardless of its public or private. And I think it's antidemocratic to not allow people to use their own money for the education that they see fits their family and the best positive outcomes. And, you know, I'm not apologizing for introducing this bill. I think it's a good bill and I don't think it's government overreach from the federals because they're not mandating anything. They're giving a person an opportunity to contribute to their college or not-- not only college but their elementary private or parochial education. It's an opportunity. It's not a mandate. It's a deliberate action that people will not be penalized one way or the other for not doing. I know it's late and you can thank me for not saying any more. Are there any other questions?

SMITH: Senator Friesen and then Senator Groene.

FRIESEN: Thank you, Chairman Smith. I guess I just have really one question. So the average person now in rural Nebraska that doesn't have choices. I don't care if you want to take your money and put your child in private school. I do not. Why should I subsidize it with my tax dollars?

BRASCH: How is it? They're paying--

FRIESEN: There's a tax credit here.

BRASCH: They will--

FRIESEN: I'm, I'm just saying just explain to me how I tell people out there that don't have these choices or don't use them why should they subsidize your choice because there's a tax credit here? That's-- I don't care. I'm not making this a public/private fight. I'm--

BRASCH: Sixty percent I believe is the amount of tax dollars that go into education.

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FRIESEN: But why should they do that?

BRASCH: Because-- why should they do that?

FRIESEN: Why should they be subsidizing? Why-- why should they subsidize your choice to send--

BRASCH: Because--

FRIESEN: --to put some of your money away?

BRASCH: Because people who are already or want to send their children to a private or parochial they are subsidizing someone else's public education.

FRIESEN: But it's their choice. They can go to free instruction if they wish.

BRASCH: And it may-- and it may not be-- the reason that they choose to send their students or their kids to these schools is their family business and their prerogative. But we also have to realize that we all benefit from their positive outcome. Do you want to send them to a public school--

FRIESEN: Should we, should we just have a voucher system where a person can choose their school? I mean I get it. I'm, I'm for those people that homeschool. They pay taxes to the school and they don't get any benefit. They choose to do that.

BRASCH: I'm not introducing a voucher system bill. I've been asked to in the past. I am not doing that.

FRIESEN: Well, I'm just, I'm just saying--

BRASCH: Yeah.

FRIESEN: --I need to explain to people why-- why I as a taxpayer should be subsidizing your choice to do something that you don't have to do. You got free instruction available everywhere. You can argue whether it's good or bad or whatever. I'm saying the state-- you know, I want, I want property tax relief. But if the state was funding the free instruction of our students like it should, why should I as a taxpayer then subsidize someone's free choice to go somewhere else? Just--

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BRASCH: I will use Senator Schumacher's, the "Professor's," analogy that he said that then the public schools will have less of a classroom burden and a financial burden because-- because there will be less children crowding their classrooms. So Tommy or Susie or whoever will get more teacher time, will get more pencils, will get more because someone else is paying double on their end.

FRIESEN: Okay. Thank you.

BRASACH: Okay.

SMITH: Senator Groene and then Senator Schumacher.

GROENE: As to the deal about federal mandate, they do it all the time. Special education money is tied to--

BRASCH: I understand that, I do get that, I do.

GROENE: You don't get it unless the state does that. I don't think that argument to address it.

BRASCH: No.

GROENE: They do it all the time. In this case there is no federal money tied to it at all.

BRASCH: Right. And that's what I was saying that because we take federal money for our roads, that's, you know, the states-- the federal government only makes us do things with, with dollars. If we want their dollars, we have to do their things. This is not--

GROENE: I understand.

BRASCH: These are private dollars.

GROENE: I just wanted to clarify that this is not a mandate.

BRASCH: Yeah.

GROENE: That--

BRASCH: This is not a man-- yes, so you're agreeing. It's not a mandate.

GROENE: I'm agreeing with you.

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BRASCH: Thank you.

GROENE: I'm disagreeing with Senator Schumacher.

BRASCH: And not Senator Schumacher that it's tremendous overreach.

GROENE: So you believe your money is yours in America and you can choose to spend it where you want.

BRASCH: You know, that's what I grew up with. You know, that's-- when my parents-- they had to-- nothing ever belonged to them or they had to hide it. They-- the shoes they had on their feet my father made.

GROENE: Do you know, which I think we should, if I wanted to write a \$10,000 check to the public school in my town could I do that and deduct it? Is that considered a deduction, tax deduction?

BRASCH: If you give it to a private [INAUDIBLE] school.

GROENE: No, at a public school.

BRASCH: A public school. You could, you couldn't deduct it, but I don't know--

GROENE: Maybe we ought to look at that.

BRASCH: Okay.

GROENE: I think we ought to look at that. The lady here said something about that.

BRASCH: Then we ought to look at that.

GROENE: Thank you.

BRASCH: Yes. Thank you.

SMITH: Senator Schumacher.

SCHUMACHER: Thank you, Chairman Smith. Thank you, Senator Brasch. Before you told me you'd like to get out of here early. Would you like to leave now?

BRASCH: I'd love to leave now.

SCHUMACHER: Thank you.

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GROENE: I got a long trip.

BRASCH: Thank you.

SMITH: Thank you, Senator Brasch. That concludes the hearing on LB804 and our hearings for the day. Thank you all.