

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee January 24, 2019

**LINEHAN:** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and represent District 39, Legislative District 39, and serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearings. Letters received after the cutoff will not be read into the record. No exceptions. To better facilitate today's proceeding, I ask that you provide by the following procedures. I'm gonna do this myself. Please turn off your cell phones and other electronic devices. And I want to emphasize this because it, I tried to say it yesterday but it didn't seem to work. If you want to testify on the bill that's up, move to the front so we have some-- because these go long and we want you all to have an opportunity speak. So if you're going to testify, please move forward. The order of the testimony is introducer, proponents, opponents, and neutral and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. So the green forms are back there. If you have any written material you would like to distribute the committee, please hand them to the page to distribute. You'll need 11 copies for all the committee members and the staff. So if you've got something you want copied-- can the pages stand up here a sec, just so they see where you are? You need to hand it to them and you can do that now. You don't have to wait until right before. You can hand it to them and get your copies made. When you begin to testify, please state your name and spell your name for the record because it has to be transcribed. And spell it so the transcribers can hear each letter. When you begin to testify please, excuse me, be concise. It is my request that you limit your testimony to five minutes. If necessary-- well, and we will use the light system, because I actually think it helps. So when you start it will be green for four minutes and then it will be yellow for a minute, and if you don't-- and then it goes red. And when it's red, you need to wrap it up. Hopefully you can time it so that you can see it. If there are a lot of people wishing to testify, and I don't see that right now, but if we get to a bill and it looks like the room's full, we might concise it down to three minutes. If your remarks were reflected in previous testimony or if you would like your position be known but do not wish to testify, the white form at the back of the room will be included in the official record. Please speak directly

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into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my right is legal counsel Mary Jane Egr Edson, and to my left is our research analyst Kay Bergquist, and at the end on the left is committee clerk Grant Latimer. I would like the senators on the committee to introduce themselves. Senator Kolterman I know is late because he's introducing a bill in another committee. Senator Groene.

**GROENE:** Senator Mike Groene, District 42; introducing the first bill today.

**LINEHAN:** Yes.

**LINDSTROM:** Brett Lindstrom, District 18: Northwest Omaha.

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

**CRAWFORD:** Good afternoon. Senator Sue Crawford, District 45, which is eastern Sarpy County, Bellevue, and Offutt.

**LINEHAN:** Our pages for today are Brigita, she is from Hudson, South Dakota, and is a sophomore at UNL majoring in agricultural education. Different page. We have different pages today, I guess. What's your name, ma'am.

**BRIGITA RASMUSSEN:** Brigita.

**LINEHAN:** Oh, Brigita. Oh, OK. And then is Veronica here? OK, so we're down to one page. So let's help her. Please remember that the senators may come and go during our hearing, as they have other bills to introduce in other committees. Refrain from applause or other indications of support or opposition. And I'd also like to remind our committee members to speak directly into the microphones. Lastly, we are an electronics-equipped committee, and information provided electronically as well as in paper floor. So if you see us looking at our computers, our screens, our cell phones, it could be because they're talking to staff or trying to find information and your bill. With that, we can begin today with Senator Groene's introduction of LB63.

**GROENE:** Thank you, Senator Linehan. LB63 was brought to me by some members of rural fire departments in my district, and also from the organization of rural fire departments across the state. Some of the material in it. But first, LB63 modifies the provisions governing

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agreement between fire districts within a county creating a mutual finance organization. Just to give a little background on, on mutual finance organizations. I had a handout, the first page is the statutes that govern it. But I thought more interesting is where does that money come from? The Mutual Finance Assistance Fund. We pay a tax on our insurance policies. Most of them are 1 percent: life insurance, health insurance. There's some that are a half percent: group insurance and a, a couple others. You also have the workers' compensation insurance that all goes into a fund. That all goes into the Health Department and whatnot to help, the Insurance Department, but then it's split up by statute. Curious enough, the fire insurance goes out right, right, goes out right away to the General Fund. So does the workman's compensation, it goes to, to the compensation courts. The rest of it then that's left in there, which amounts to about \$89 million the last, last time, that is then split up between: 40 percent goes to the General Fund; 10 percent goes to this Mutual Financial Assistance Fund; 5 percent goes to the counties; 15 percent goes Municipal Equalization Fund; and 30 percent goes into the TEEOSA fund and split up. We're talking about the 10 percent Mutual Finance Assistance Fund, and it's 10 percent so it's a, it amounts to about \$8.9 million the last year. But curious that we don't use that because there's a maximum of \$300,000 a county or \$300,000 a municipality. So we only have 41 counties that are doing it out of 93. But also concerning it says "shall" and last year we appropriated less than what was needed. They had it prorated at 89 percent. I don't know how we were able to do that, I don't think we should have been able to do that. You need to, by law it should fund these, these, these rural fire district organizations. But anyway, I gave you that breakdown and then I have a chart there, a spreadsheet that shows you how much money was collected with the tax funds last year, and it was \$97 million. But again, if you take the fire and workman's comp out of it, it's about \$89 million. And then the next page I, we've listed all the counties and the counties that have a mutual organization, fund organization. There's 41 of them. My county is maxed out at the \$300,000. And then the next page shows you for an example, this is in my county, how it is split up. It's split up by population. You get \$10 for all the citizens in your county, plus if a fire district overlaps into another county, those citizens are counted. And then it's split up by population, \$10 a head. Ten dollars for every citizen. And then they split it by fire district. So that explains how it works. My, I live in the North Platte rural and that they got \$42,000. The city of North Platte got \$145,000, and it was all prorated within the county to max out at \$300,000. That, that is the

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money we're talking about. Of course it's an interlocal agreement because you're supposed to document that you used the money for joint ventures; that you bought a fire truck; you share it; or you, you do educational for your firemen. But you have to document that each year. And what my bill addresses is in the statutes everybody has to agree in the county to have a single tax rate, in my county it's 3 cents. You have to all levy that. But some of my rural districts, really rural, where it's hard to find a volunteer. A lot of grassland and they have some grass trucks. They put out fires, don't have, they don't have enough buildings to-- unless the grass fire hits it. They're very, they're very frugal. They're ranchers, they're farmers. They appreciate the mutual fund but they don't need to be at 3 cents every year. They want to give their neighbors a property tax break. And then have, instead of having to be 3 cents and have a pot of money they don't use. But the quandary was how do you do it without saying everybody can have the same tax rate, then every-- and somebody will be at 12 cents, and somebody be at 3. It's also trying to force the levy to be reasonable. That, that the frugal people say, we're not going to go to 6 cents and the spenders are forced to compromise and go to 3 cents. So right now the contracts are one year. You would have to renew it every year with the county, have to send you in your application. We, in the bill here, we extend it to three years, a three-year contract. One out of three years every fire district has to get the max: 3 cents. That keeps the pressure on the spenders to negotiate a lower tax rate because one out of three years the frugal are going to have to be at that rate. But it also gives room for property tax relief where they can lower it below the 3 cents or 6 cents. I'm not sure what across the county that the agreed upon tax rate is. I believe it's 10.8, or somebody can correct me. It's about 10 cents, a little over 10 cents is the max rate that a fire district can go to. So we're trying to give some property tax relief and allow more management of their funds to those smaller districts who they're limit on volunteers. Guys bring their own trucks and tractors and put out fires, and they voluntarily do that. They just want some tax relief if they can get it. So that's what we're trying to do, at least two out of three years. But keep the main focus of what the bill is supposed to do in place. And then some individual is going to testify on it, but additionally, LB63-- and this was brought to me by the association, the Rural Fire Districts, to modify. Under current statute, members of the fire district board of directors receive up to \$25 for each board meeting for up to 12 meetings in a calendar year, within Crete double it to \$50 that they get for their meals. A lot, of lot of these guys don't even pay themselves. But the younger guys have

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to replace these 80-year-old guys eventually and \$50, they want a meal and a little travel expenses. I guess they get travel expenses, mileage too, if they have to go to a meeting or, or somewhere else. But, and this bill changes the date by which fire districts may certify their levy amounts. The current date is August 1. It's problematic because they're not finalized budgets. By moving the certification date to September 20, it matches the statutes when most other taxing entities have to do. For some reason, this was August 1. Another issue, under current statute the rise a fire district to not authorize its levy in a given year. They have to get county approval to have a levy. And some counties are denying it. I don't know why, somebody else can answer that question. Now, after a year, they can just do it. They can, county refuses, I think after one year-- maybe I'm correct, somebody can correct me-- then they can just do it themselves. They can have a tax levy. But, and then they have to do that every year. We're going to allow them to go three years, I believe, now and then have to go back through that process again of getting the county approval. And I don't believe they can override the county. If the county says you can have 3 cents that they override and go TIF. But I'm not the person to ask on that, presenting that for the, for the association. But that pretty much covers what's in it. I'm a firm believer in local control, but we can also, if we can get some tax relief, a little bit here, a little bit there. We didn't get property taxes out of control overnight. Things happen slowly, and this, this would reverse some of the trends in those areas where those rural farmers and ranchers can lower their property tax rate.

**LINEHAN:** Thank you.

**GROENE:** Any questions?

**LINEHAN:** Thank you, Senator Groene. Do I have questions from the committee? Will you stick around? Of course you will, because you're on the committee.

**GROENE:** You want me to sit there and shut my mouth on the questions?

**LINEHAN:** Thank you, Senator Groene. Proponents?

**LINEHAN:** We had a new member-- I'm sorry. A member join our committee. Would you like-- [INAUDIBLE]. Would you please introduce yourself?

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**KOLTERMAN:** Senator Mark Kolterman, representing the 24th District.  
Thank you.

**McCOLLISTER:** Oh, I'm sorry. John McCollister, Legislative District 20:  
central Omaha.

**LINEHAN:** Good afternoon. Go ahead.

**MARVIN KNOLL:** I'm Marvin Knoll from the Wallace Fire District,  
M-a-r-v-i-n K-n-o-l-l. And my biggest reason, and I talked to Senator  
Groene over a year ago on this because we was just building money up  
and we've got relative new equipment. And I've been on the fire board  
for like 25 years and we just had to, keep having to take more money.  
And this year we bought one new grass rig and we bought a new  
ambulance, and we've still got a considerable amount of money left in  
them because we have to take. And but like on the basis of the \$25 to  
\$50, that makes no difference to us because we've never taken anything  
anyway because we're all volunteer fire brigade. But my biggest reason  
is to get the tax so we can lower the tax levy.

**LINEHAN:** Do we have, do you have any questions from the committee?  
Yes, Senator Friesen.

**FRIESEN:** Thank you. Thank you, Senator Linehan. So currently you can  
have these mutual finance organizations, or you have a mutual aid  
agreement or something like that, and they're just one year in length?

**MARVIN KNOLL:** Yeah, we get about \$20,000, Wallace gets about \$20,000.  
And Mike would know what North Platte gets. Everybody, it goes like he  
said by a population. And but see, if one person gets out of it, then  
it messes the whole thing up. So you all have to stay in it. And we  
want-- we don't want it to get--

**FRIESEN:** These, all these fire districts are in the same county?

**MARVIN KNOLL:** Yep, it's county-wide. There's like, there's like  
Wallace, Sutherland, Hershey, North Platte, Brady, Maxwell. There's  
like six of them.

**FRIESEN:** So the county has always given you enough levy authority to  
satisfy everything you need?

**MARVIN KNOLL:** Yeah, we've always had-- 20 years ago when I first went  
on, we didn't have any equipment there and we went into bonded  
indebtedness and built a new fire hall. And we bought trucks and got

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everything up in good shape and paid the bonds off, and now we don't need this much money and we just keep building it up. And then, and I don't want-- we don't want to buy stuff you don't need. I'm not in favor of buying stuff you don't need now.

**FRIESEN:** I get that. Thank you.

**LINEHAN:** Any other questions from the committee? Thank you very much for being here today.

**JERRY STILMOCK:** Madam Chair, members of the committee, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, representing my clients, the Nebraska State Volunteer Firefighters Association and Nebraska Fire Chiefs Association in support of LB63. Thanks, Senator Groene, for bringing the legislation. It does have a few different parts to it. I did want to just share a couple of background papers on the MFO because that's, that's one of the three parts within the bill. And then because the administration of the mutual finance organization. And acronyms are sometimes are problematic; but MFO, mutual finance organization. I thought what I would do is, is just go briefly explain the use of the MFO and then go into the way the bill sets out. So it would kind of go through Section 1, Section 2, Section 3. So the MFO was designed by Senator, then-Senator Wickersham back in '97, '98. It was passed in 1998. It was basically an idea to bring those rural districts and volunteer fire departments together in a particular county. So if, if my plastic sleeve-- that may be kind of hard to see because it's clear-- if my plastic sleeve represents a county, there were some when the fire districts were created, you know, back in the '40s and '50s, some, some fire districts were created. And they had value-rich fire districts, so they had a nice valuation so they could get by with a couple cents in order to fund their fire protection and protection. Those that were left and maybe formed a little later in time, they didn't have quite as good ground perhaps. So they had to have a higher levy in order to support the fire districts. So within, within one county back in the '90s, fast-forward to Senator Wickersham's era, you might have a fire district in a particular county that needed 6 cents because they had kind of bad land, poor-value land in order to support their fire operations and emergency purposes. And then you had some value-rich fire districts. So in order to equalize that and say, hey, let's all try to get along together, because Senator Friesen used term mutual aid agreements. That's the, the labor and the equipment that a lot of fire departments use mutual aid agreements. We are going to come and help you,

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neighboring fire department and fire district, because we're going to need your help at some point too. So mutual aid is one type of agreement. This mutual finance organization was created say, look, everybody have the same uniform, unified, uniform levy in a given year. Everybody has to have that levy in order to participate in state funding. And that's basically what it is. Senator Groene explained where the, where the money comes from. And so instead of taking it from other places, Senator Wickersham said let's not take it from cities and let's not take it from counties, where this insurance premium money is going, right? Let's take it from the state General Fund. So of the state General Fund, that's what's used to fund the MFO. It took off in maybe 15, 16 counties in '99, when it was first opportunity. Now we're up to 41, as Senator Groene said, 41 counties participating. So it's a huge benefit. Senator Friesen has Nance County participating; Senator Kolterman has Polk County participating; of course Senator Groene with Lincoln; Senator Briese has about three or four counties participating. But the intent was is to bring them all together. OK, so that's MFO today. The, the, the, I'm gonna go ahead and continue on MFO because it would be difficult to go back and there's no sense to. On the MFO part, the real key to it is, in Senator Groene's example, let's say as an example Lincoln County. Those participating MFOs said, our unified levy is gonna be 3 cents. Everybody has to apply and have that 3 cent levy uniformly throughout Lincoln County if you want to be in the mutual finance organization for Lincoln County. Everybody says, yes, we want to do that. But then you hear Mr. Knoll saying, we don't need 3 cents. Here's the key. They can go below for two out of those three years, as proposed in the bill. They can go lower but they can't go higher. And that's the key. We want to make sure that that cap that everybody has agreed to is no higher than the unified levy. OK? Then we go to Section 1. I'm going to leave MFO for a moment. I'm gonna go to fire districts. Think in terms of the names of Senator Hartnett, Senator Hillman, senators back in the 1990s. That's when this bill for fire district compensation was last changed. It was 10 bucks, in 1995 it went to 25 bucks. So they're kind of on par with the Legislature, you know, 12 grand a year. A little bit different scenario, different context, but they're about in the same boat, you know? Twenty-five bucks to go to a meeting. And that's what this would do, give them the authority to go to \$20-- go to \$50 for each meeting. The, the other part, there's a bad date. There's a bad date in the law because think of this: right now the law says those, there are some fire districts that you all carved out back in 2015 that allowed fire districts to have their own levy authority.

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They have to, if they meet that qualification under the law, they have their own levy authority. May I finish, please, ma'am?

**LINEHAN:** Yes.

**JERRY STILMOCK:** OK, I'll be brief. Thank you. If the, the assessed-- right now the law says fire districts that have their own levy authority, they have to file what levy amount they need by August 1. That doesn't work because we know the, the county assessor doesn't certify the assessed value on all real property and personal property until what, August 20? So how can I tell the county what my August, what my tax levy should be on August 1, if the county hasn't told, hasn't made-- hasn't certified its levy yet as of August, until August 20? So all this does is say, look, scratch August 1. That doesn't work for fire districts that have their own independent levy authority. Make it September 20. Why September 20? Because that's when cities, counties, the other political subdivisions that have their own independent levy authority, that's when they get to, that's when they establish their own levy authority. And last, and the last piece is they had, the fire districts that have their own levy authority, it looks back to the previous year. When you made your levy request, fire districts are a different breed, when you made your own levy request to, to the county, were you denied in the previous year? If the answer is yes, then that fire district gets its own levy authority. But they have to do it every year. Can I have money? Can I have money? Can I have money? No, no, no. So this would just say, look, you only have to go back once every three years to ask for levy authority. If they deny you once then you have your own independent levy authority for three years going. Senator, thank you for allowing me to expand my time.

**LINEHAN:** Thank you. Questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Madam Chairman. Why do only 41 counties take part in that when there is this fund available? Are there some counties who cannot take part in it or are they just not, choose not to?

**JERRY STILMOCK:** Choose not to. We, we as the associations, we tried to publicize, let people know. Some were on it right away and maintained for the past, you know, 20-plus years. Others have not. My county of Otoe County, maybe I'm a bad salesperson, sir. But they have not participated. They just, they, they don't find a way to come together on that levy, sir.

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**FRIESEN:** OK.

**JERRY STILMOCK:** Yeah, it's interesting because-- I answered it, I guess I should stop.

**LINEHAN:** Other questions? Seeing-- oh, yes, Senator McCollister.

**McCOLLISTER:** Oh, this is a new concept to me.

**JERRY STILMOCK:** Yeah, yeah.

**McCOLLISTER:** Thanks for coming in, Jerry. Do these rural fire units have cooperative arrangements with the cities that they're in? For example, Lincoln County and North Platte, are they-- do they have a mutual aid agreement in place that gives, gives those rural fire units help from North Platte?

**JERRY STILMOCK:** Yes, sir. I cannot speak factually if the city of North Platte does with the rural fire department in outside of North Platte, but most of them do. Most, if you think of a doughnut, the center of the doughnut is a city or village, the outside is the rural district. And I would surmise that most, if not all, have that agreement. Why? Think in terms of the city of Lincoln, somebody, somebody we can relate to right here, city of Lincoln. Do, does the city of Lincoln have areas where they have a tremendous amount of grass that dries out and is subject to wildland fires in April and May? Yes, it does. Does the city of Lincoln finance to have grass rigs that are able to trans, transverse bad terrain, rough terrain, go in and out? No, they have pumpers and engines. So what do they do? The city of Lincoln says, hey, rural southwest; hey, rural southeast, we want to enter into an agreement. So if we have fires inside the city of Lincoln that are more appropriate for grass rigs, we need you to come in. If the rural southwest or rural southeast on the perimeters or Bennett on the perimeters outside the city of Lincoln, if they need assistance in a particular structure fire, then they have a mutual aid agreement that the city of Lincoln would come in and provide assistance for structure fires so that they get the experience from both sides of the fence if you will, sir.

**McCOLLISTER:** Thank you, that was impressive.

**JERRY STILMOCK:** Yes, sir.

**LINEHAN:** Other questions from the committee? Thank you.

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**JERRY STILMOCK:** Thank you for your time, Senators.

**LINEHAN:** Proponents? Opponents? Anybody wishing to testify in a neutral position? Senator Groene, would you like to close?

**GROENE:** Just about jumped in there to answer Senator McCollister's question and I remembered I get to close. Curt's question about 41 counties. You probably have somebody in that county who wants the 8 cent tax, and you got a Marvin Knolls that says, no, we're not going to go over 3. So they can't get together. Because the purpose of this MFO was to bring that to the center. And this might help more people take advantage because now, I'm going to pick on Marvin again. Marvin might say, well, if you're at 9 or 8 cents and we want to be at-- we'll go along with 5. Let's go to 5 or 6, as long as two out of three years we don't have to be that high. Because we can do it one year, have zero two years, and average two. This might bring more because there's \$5 million in the pot that isn't getting used in rural Nebraska because it doesn't-- if you look, Lancaster isn't in this, Douglas isn't in this, Sarpy isn't in it. Larger cities aren't allowed to be in it. As to Senator McCollister's, I live in North Platte rural out by the lake there. We don't have a fire station, we don't have any volunteers. We contract with North Platte. Our levy goes to them, our-- we buy some grass trucks, we buy us a fire truck. It's stationed in North Platte in their firehouse. Their firemen man it but ownership is our North Platte rural. So they work together. Before, we had to have our own fire station. If there's an interlocal agreement and I disagree with it being abused but the MFOs are not. It's actually accomplishing the task it was meant to do. So this might help some of those other counties come in. If the, if the frugal can bring down the tax rate of some of the bigger, some of the guy who wants to be high. And when we get more of this money, this money should be out in rural Nebraska. I got some other ideas maybe for next year and on the MFOs, how we get more of it out there in rural areas. But right now, it's in statute, but over half of it's going into the General Fund. It's not being used. So that's my closing. I would like to have it execed on and on the floor.

**LINEHAN:** Thank you.

**GROENE:** Thank you.

**LINEHAN:** Thank you. Letters for the record. We have two letters, excuse me. Sorry, LB63. Proponents: Joel Cerny, Schuyler, Nebraska; and Ron-- I may not say this right-- Wriedt, in Wayne, Nebraska. So

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thank you. With that, the hearing on LB63 comes to a close. And the next bill is my bill, so gonna have to do some-- Vice Chairman Friesen will be in charge.

**FRIESEN:** We will now open the hearing on LB103. Welcome, Senator Linehan.

**LINEHAN:** Thank you, Senator Friesen. This is a very simple bill. We all know that over the last 10 years farm values exploded, going up and up. And because of that, property taxes went up and up, because the levies didn't drop correspondingly. So a way to address that, and there are states that do this, as valuations go up, the levy automatically comes down. So if the valuations go up 20 percent, levies drop 20 percent. That's all this bill does. It does not keep any taxing entity from raising taxes or raising the levy back up. It's just they have to vote to do that. So if you're going to collect more money, it will take a vote of the board to raise the levy, not just acquire more money because valuations went up. And one of the reasons I'm bringing this bill is last year, or maybe the first year I was here, two years ago there, was a huge increase in valuations in Douglas County, especially western Douglas County. And the whole air and anger was at the assessor, and the assessor was only doing her job which was trying to get-- now, I'm not saying I agree with everything that was going on, but there was an effort to get the valuations to where they're supposed to be, which is within 92 percent of the real value. So I don't think it's fair to blame the assessor for valuations going up when there is an option of lowering the levies. So this would just separate, just because your valuations go up doesn't mean your property taxes have to go up. They can stay the same. So with that, I would like your support.

**FRIESEN:** Thank you, Senator Linehan. Any questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Senator Friesen. So during a typical, typical tax year, the counties certify, certify the tax levies of the various bodies in that county. How is this bill different? Do you have to actually, the board of every unit would have to give a specific approval before they can change the tax levy or take in greater amounts of money?

**LINEHAN:** Thank you for that question, Senator McCollister. I do think, I'm going to try and answer, but I may not understand the question. This doesn't have anything to do with certification. This is just an

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automatic thing. The assessor decides valuations in the county, or it could be the state, because that's happened in Douglas County too, right? Douglas County, the state decided Westside and Millard were undervalued, so the state upped it 8 percent, I think. So when that all went up 8 percent, the levies on those homes would go down 8 percent. So you collect exactly the same amount of money. If we don't do that when the valuations go up 8 percent and the levies stay the same, they get 8 percent more money without a vote. So this just says-- it doesn't say you can't raise the levy. You most certainly can. It's just that you have to vote to get more money. You have to actually vote.

**McCOLLISTER:** So when you, when you say the board, are you talking about a school board, for example, or the county board?

**LINEHAN:** All of them.

**McCOLLISTER:** So if a school board exceeds and generates more money, as you suggest, the board itself, the school board, would have to, to, to vote an increase in the levy.

**LINEHAN:** Right.

**McCOLLISTER:** OK.

**LINEHAN:** Not to get the same amount of money, to get more revenue. More revenue coming in the door would mean a vote.

**McCOLLISTER:** I understand.

**LINEHAN:** OK.

**McCOLLISTER:** Thank you.

**LINEHAN:** Thank you.

**FRIESEN:** Thank you Senator McCollister. Any other questions? Senator Groene.

**GROENE:** Thank you, Vice Chair Friesen. So basically what you're doing here is you're gonna make public entities have two hearings on both sides of the ledger, not just a spending one.

**LINEHAN:** Right.

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**GROENE:** They're going to have to have a hearing on how they spend the money, but they're also going to have to have a hearing on how they raise the money.

**LINEHAN:** Right.

**GROENE:** Instead of saying we didn't raise your tax rate, and then go on to how much we going to spend. Sounds like a good idea to me. Thank you.

**LINEHAN:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Friesen.

**FRIESEN:** I won't call you Senator Scheer.

**LINEHAN:** Not yet.

**McCOLLISTER:** It's early in the day.

**KOLTERMAN:** Senior moment. So in essence, if I'm if I'm reading this incorrectly, in essence really what you're doing is you're putting that entity on the record publicly that they're going to raise your taxes or not raise them.

**LINEHAN:** Right. Actually what you pay, not what your levy is or what your valuation is, but actually what you are paying in taxes.

**KOLTERMAN:** Right, thank you.

**LINEHAN:** Because as I've heard from many of you, you pay your taxes with a check, not with levies or valuations.

**KOLTERMAN:** Thank you.

**FRIESEN:** Thank you, Senator Kolterman. Any other questions? Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair. And thank you, Senator Linehan. I don't know if you've had a chance to look at some of the letters. There is some concern raised in some of the letters about the timing of this hearing, so is that something you would like to address?

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**LINEHAN:** I would. We will have, and I don't have it yet, my fault. I will definitely fix that with an amendment. And my research analysis brought that up, and we will-- we're more than willing to fix that and move the date so they have, they have the valuations so they can actually have time to have the hearing.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? Senator McCollister.

**McCOLLISTER:** And it only requires a simple majority on that particular taxing unit?

**LINEHAN:** Simple majority.

**McCOLLISTER:** Thank you.

**LINEHAN:** You're welcome.

**FRIESEN:** Thank you, Senator McCollister. Seeing no further questions.

**LINEHAN:** Thank you, and I'll be here to close.

**FRIESEN:** Proponents wish to come forward and testify? Welcome.

**BRUCE RIEKER:** Thank you. Chairman Linehan, members of committee, my name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r. I'm here testing, testifying on behalf of seven agricultural organizations. That being the Nebraska Cattlemen, the Nebraska Corn Growers, Farm Bureau, Nebraska Pork Producers, Nebraska Soybean growers, the State Dairy Association, and the Wheat Growers Association in support of LB103. We appreciate what Senator Linehan is trying to do here. It retains local control, as she mentioned in her opening comments. Locally elected boards can still increase their, their tax asking, if they so choose. But it's the transparency and the accountability factor that we, we do appreciate at looking in the process. You know, maybe there's some timing issues, and we'll look forward to working with Senator Linehan on that, or those issues. As organizations representing tens of thousands of agricultural producers across the state, we believe that the Legislature must ask-- act to provide property tax relief and reform in a much broader scale. However, we also appreciate small, common-sense reform to bring more transparency to local tax collections and spending. Nebraska's ag producers pay the highest property taxes in the country. Residential property owners pay the

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seventh-highest property taxes in the country. Continued legislative inaction is really not an option for our producers that we represent. We thank Senator Linehan for introducing this; and we're asking this committee to make property tax relief and reform its priority, and encourage you to take an important step by advancing LB103.

**FRIESEN:** Thank you, Mr. Rieker. Any questions from the committee? Seeing none, thank you.

**BRUCE RIEKER:** You're welcome.

**FRIESEN:** Other proponents?

**COBY MACH:** Good afternoon, my name is Coby Mach, C-o-b-y M-a-c-h, appearing on behalf of the Lincoln Independent Business Association supporting LB103 today, requiring political subdivisions to reduce their property tax levies when, when values go up. We believe it would result in real property tax relief for Nebraskans. Many cities have found it's very difficult to convince your local political subdivisions to lower their tax levies when they get a windfall from, from re-evaluation. They could still take it under this bill, but they would have to, in fact, do a vote in order to do that. Some political subdivisions will claim that they're not raising your taxes when in actuality they're raising more, because the levy rate has remained the same. Last year, an average of 10 percent increase occurred here in Lincoln in commercial and industrial properties, yielded the city of Lincoln millions of additional revenue. And the city chose to keep the tax rate at 31.6 per \$100 of evaluation when it adopted its budget. In 2015, Lincoln Public Schools chose to, they chose to do an additional millions upon millions in spending, which was fine, but there was \$10 million left over that they did not have a place for. And so they put that \$10 million in additional revenue into a cash reserve, rather than lowering their levy. They still could do that, but at least the transparency would exist there because it would require a vote. This year, the average for Lincoln homeowners, according to our county assessor, is a 15 percent increase. Now, that's the average, meaning some higher, some a little bit lower. And already our mayor and mayor's office have come out and said that we should not be having discussions about lowering that levy rate. Our mayor said that homeowners should quote feel rich end quote because their home values have gone up so much. So we think this is a common sense, one common-sense solution that would help with the property tax issue, and it adds to transparency and I ask to support it. Thank you.

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**FRIESEN:** Thank you, Mr. Mach. Any questions from the committee? Seeing none, thank you.

**COBY MACH:** Thank you.

**FRIESEN:** Any other proponents?

**SARAH CURRY:** Good afternoon. I am here to testify in support of this bill. This is Sarah Curry, S-a-r-a-h C-u-r-r-y, policy director with the Platte Institute. Nebraska currently has the seventh-highest property tax in the nation and is, and is in need of property tax reform that addresses the underlying problem of a local tax system that imposes too great a burden on the state's economic growth. Much of the property tax reform discussion revolves around revenue, but the policy included in LB103 focuses on another important factor, which is the property tax limitation. The Platte Institute supports LB103 because it strikes the right balance of state law providing a check against automatic local tax increases while still maintaining the ability for local communities to decide what's right for them. LB103 also recognizes the importance of the public's involvement with their government, and allows a public hearing before property tax increase can be decided upon. Included with my testimony, I've given you a report from the Kansas City Federal Reserve Bank. This report found that property valuations are one of the main components to our state's extraordinarily high property tax burden. On map number one, you can see the nationwide percentage increases and you can see where Nebraska is. On chart number two, you can see Nebraska area price increases. This does a focus on Omaha, Lincoln, Grand Island, and nonmetro areas in Nebraska. The Federal Reserve Bank found that the average price gains in all areas of the state during the last year have been the strongest in a four-quarter period, since the mid-1990s. The Kansas City Fed's analysis also found that prices have strengthened outside most of the major metropolitan areas, which is why we are seeing concerns with valuations in rural parts of the state. But urban areas, which often have higher levies, are increasingly impacted as well. Overall, the Kansas City Fed report finds that Nebraska's housing market has experienced the sixth-strongest rate of growth for the entire country over the last decade. Last year, the Platte Institute did extensive research into the property tax issue. We've come to the conclusion that one of the ways to substantially and sustainably reduce property taxes is to have an appropriate limitation on property taxing authority at the local level. While LB103 does not immediately reduce the amount of revenue collected at the local level, it does

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create an important limitation to prevent automatic tax increases without input from taxpayers. It also requires elected boards to go on record about how much additional revenue they think will be necessary. We also have new evidence that voters want this committee to focus on property tax limitations this session. The Platte Institute has conducted a new scientific survey just this month collecting responses from over 2,000 Nebraskans who are represented by the members of this committee. We asked them what they think about property taxes and different reform options. While we aren't ready to release the full details of that poll yet-- you will be getting copies in the near future-- I can share with you some of the themes that were found and how they relate to LB103. A strong majority of Nebraskans supported a new state law to further limit how much property tax local taxing subdivisions could collect, either by limiting the property tax rates or the valuations. Strong majorities of voters across each of your eight districts support this concept. But what's even more impressive is that at least a plurality of Republican, Democrat, and independent voters feel the same about the need for a firmer property tax limitation in seven out of your eight districts. We find that LB103 goes a long way toward addressing these concerns shared by Nebraskans, and would put a lot of taxpayers at ease as this committee discusses other policy changes, including new revenue options. I encourage for you to vote in support of LB103, and I'm happy to take any questions.

**FRIESEN:** Thank you, Ms. Curry. Any questions from the committee?  
Senator Groene.

**GROENE:** Are you an accountant?

**SARAH CURRY:** I am not.

**GROENE:** Oh, you aren't. All right, then you got an excuse for not being able to count that there's eight of us when you bring these fliers.

**SARAH CURRY:** I got an extra on here, sorry.

**GROENE:** I'm just teasing. You did it yesterday, too. Anyway. And besides, I need a cup of coffee and the pages are out there getting copies. But anyway, Senator Linehan mentioned that other states do this. Do you know which ones do similar things like this?

**SARAH CURRY:** I know Virginia does this. I don't know of any specifics. None of our neighboring states that I know of do this. I've reviewed

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all of their property tax. Some of them due to an overall cap, but as far as limitation at the local level like this, I wasn't able to find one.

**GROENE:** They do a cap on, on--

**SARAH CURRY:** Like Iowa does a statewide cap, so they'll take the, the valuation.

**GROENE:** The dollar amount.

**SARAH CURRY:** Right.

**GROENE:** Because we do caps on levies, which don't seem to help anything.

**SARAH CURRY:** Yeah, they do a valuation cap. South Dakota did, I believe, a valuation cap for school districts only. I do have a summary of how our neighboring states handle their property taxes, and I'm happy to share that with you.

**GROENE:** On the valuation side of it there.

**SARAH CURRY:** I just did like how they do it. Just so that way we would see it, yeah.

**GROENE:** Does anybody cap the revenue growth like Senator Linehan is basically doing it here?

**SARAH CURRY:** I can't, I can't remember specifically to tell you that.

**GROENE:** She said that we pay our taxes in dollars until somebody shows me what a levy looked like so.

**SARAH CURRY:** I know the--

**GROENE:** In dollars.

**SARAH CURRY:** I know that when we traveled out to your neck of the woods in Nebraska and we spoke with some local property tax owners, they told us: We don't care about the levy rates because our town is collecting hundreds of thousands of more dollars in property taxes, and the levy rates haven't changed. And they've actually gone down. What we care about is the valuations. And so when we saw this bill come up, we, we felt obligated to weigh in.

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**GROENE:** Appreciate it.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? One question. I mean, I love the bill. I think it's great because it puts boards on notice that they do have to vote for a tax increase. I think it does put pressure on them to think about it. So when-- if you have a case when, when valuations start to head lower like in some of the ag lands now, this also works in reverse, I take it? If the valuations drop, they figure the new levy, and it could, you start the year with the higher levy so that you raise the same amount of money?

**SARAH CURRY:** From my understanding, it would keep the revenue the same. So if the valuations were to drop, that would be the case. But I will defer to Senator Linehan, since she is the bill's sponsor.

**FRIESEN:** I thought maybe you had analyzed it and--

**SARAH CURRY:** No, that's the way we also interpreted it. I'm not an attorney, so I don't know if that's how it will actually work.

**FRIESEN:** I'll, I'll ask her when she gets back. Thank you. Any other proponents? Welcome.

**ROGER WALLACE:** Hi, my name's Roger Wallace, W-a-l-l-a-c-e. Call me a proponent slash sort of neutral, because somebody just mentioned a concern that I would have too in this. I grew up on a farm in central Kansas, but have lived in Nebraska for 40 years. I don't represent any group. I am very familiar with, well, I have a lot of friends in the state. I currently have houses in Omaha and Comstock, Nebraska; and have an ag consulting business, as well as farm and ranch land in Custer and Valley Counties that I go out and work and I provide cheap labor, labor about four or five months out of the year. I've also leased pasture land in Kansas for my cow herd from a family farm down there. Farming and ranching is an extremely cyclical business. We have great years, like those of the last-- those of five or six years ago, and then we can go for a decade or more with little or no profits. Over time, ag income has become a smaller part of the total state income, and you have that, a chart in front of you showing this. Nebraska is becoming less and less dependent on agriculture, which overall is a positive trend for the state, because it means other, more rapidly-growing industries are gaining in importance. Even in the early part of this decade, with record farm profits, farm income was just 10 percent of the total state income. Prior to late '70s, we

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rarely dropped under that level. Farm income seems to have settled down to about 5 percent of the state total over the past 20 years; although I would note in the last year that we have the exact statistics, 2017, it was approximately 3 percent of state. Very minor. Unfortunately, the state looks to property tax, of which ag land is a key component, to provide a steady percentage of public revenue. At times, this approach has had terrible consequences for farmers and ranchers. For a few years in the early '80s, ag property taxes took over 50 percent of net farm income-- excuse me, net cash farm income. In the past few years, taxes have topped 20 percent of net income; and, in fact, for the year 2017, it looks like it will approach 30 percent of net cash receipts. This overburdensome tax structure is a substantial contributor to financial stress in rural Nebraska. How does this impact individual operators? On my own farm, property tax is the fourth-largest expense after seed, fertilizer, and herbicides. But it comes ahead of labor, fuel, and repairs, to name a few. No other industry I know has this type of tax burden. It is the prime reason for my partial shift from farms to farmland to stocks and bonds when profits were good. The state does not tax my nonfarm assets. I have learned what wealthy families in the state already knew, how having most of your net worth invested in Nebraska farmland does have some drawbacks. Taxing my assets when the assets produce little or no income is very stressful. Again, I don't know of any other industry that quite goes through this. You really need to walk in my boots for a few of these years when I write a six-figure check for property tax and report an operating loss on my farm. Recently, I had the opportunity to visit with a farmer/rancher who has a larger operation. He's my age, early 60s, and has a son with a good job in Omaha. He's not a high-paid professional, doctor or a lawyer, but he's got a good corporate position. The farmer's dilemma: How do I incentive my son to come back when my business makes less than what his job pays in Omaha? This man has millions invested in land, cattle, and equipment in order to make a living, and I'm sure he pays much more than I do in property tax. How much better off would his family have been if he would have decided to perhaps go into stocks and bonds, where his assets would not be touched by taxes? We compared notes on property tax costs per cow at his ranch. For him, it was \$137 per head. For my ranch in Nebraska, I figure \$110 per cow/calf pair. He had asked about my Kansas operation, which I told you about, my family has farm and ranchland there. I told him it runs around \$15 per cow/calf pair. Right now, that's the difference between making a little and losing a lot. I mentioned I might testify at this hearing. His comment, Roger, it's a waste of time. You're going to try and convince 95 percent to

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pay more to give 5 percent of us a break. It will never happen. The frustration in the country from the lack of action on this issue is real and despair is high. I wish for my farm and ranch friends that you become brave and innovative. The Nebraska economy has changed substantially, while the tax structure has remained pretty much the same. The state will have to transfer tax burdens for many meaningful relief for farmers and ranchers. If you want Nebraska to be a competitive place for young people in farming and ranching, I think those changes will have to be made. Also, to be clear, I have no issue with property taxes on my house. I view that as a use tax. Each house is a potential user of the school system, roads, etcetera. Personally, I would jump-- I got about 30 seconds.

**FRIESEN:** Go ahead and finish.

**ROGER WALLACE:** Personally, I would jump at the chance to pay double the normal income tax rate as a farmer and rancher, if you would eliminate property tax on ag land. Of course, that would be a serious hit for you. At least there would be some-- but there would be some relationship between how much I earn and how much I have to pay in tax. Thank you for your time.

**FRIESEN:** Thank you, Mr. Wallace. Any questions from the committee? Senator McCollister.

**McCOLLISTER:** Thank you, Senator Friesen. Your charts are very informative. Thank you very much.

**ROGER WALLACE:** You're welcome.

**McCOLLISTER:** The second chart would show the property tax as a percent of farm income, the land has been traditionally around 20 percent, correct?

**ROGER WALLACE:** Correct.

**McCOLLISTER:** OK. Have you received your new tax assessment--

**ROGER WALLACE:** Yes.

**McCOLLISTER:** --this year? Did the value of your, your property drop?

**ROGER WALLACE:** Mine went down 4.5 percent less for this year.

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**McCOLLISTER:** Twenty percent?

**ROGER WALLACE:** Four and a half percent.

**McCOLLISTER:** Four and a half percent less.

**ROGER WALLACE:** And I would tell you, for what it's worth, when I look at the land valuations based on my area and what I know land is trading for, I would say there's another 10 to 15 percent decline coming in the next couple of years. You know, they use a three-year moving average, and they can tweak that a little bit. But if, if we don't have a significant change in net farm income land values, my, mine will drift lower.

**McCOLLISTER:** I understand. And so in three or four years, as you testified, you think you'll be approaching that 20 percent that has traditionally held throughout--

**ROGER WALLACE:** Probably.

**McCOLLISTER:** --a good number of years?

**ROGER WALLACE:** Some of this involves what, what is the-- but some of this involves what interest rates are doing too. But, yes.

**McCOLLISTER:** Good point.

**ROGER WALLACE:** Yes.

**McCOLLISTER:** Thank you very much.

**FRIESEN:** Thank you, Senator McCollister. Senator Groene.

**GROENE:** Thank you, Vice Chair. Kind of mislead-- on your farm income, is that net income? That's income you pay--

**ROGER WALLACE:** That is net cash farm receipts as compiled by USDA at the, at the bottom.

**GROENE:** Income or gross, gross sales?

**ROGER WALLACE:** This would be net cash receipts. So this does not include depreciation.

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**GROENE:** But it doesn't call-- include the property tax. What I'm saying is, this is probably what you're--

**ROGER WALLACE:** It would include property tax, though. You are right.

**GROENE:** My assumption is this is net income that you pay income taxes on after--

**ROGER WALLACE:** No.

**GROENE:** --an accountant.

**ROGER WALLACE:** That would not. Net cash farm receipts ignore depreciation in particular, which is--

**GROENE:** You're talking about a billion bushels of corn at \$3 or \$4 a bushel; you're talking millions of bushels of wheat. Number one cattle producer, and you multiply the gross income, and you're gonna tell me that's only 5 percent of that?

**ROGER WALLACE:** No, no, no, it's not. It's, it's net cash income.

**GROENE:** All right.

**ROGER WALLACE:** So if you, yeah. If you have all your cash expenses, excuse me, all your cash receipts minus all your cash expenses, what's left over.

**GROENE:** Yeah. What I'm saying though is ag pumps probably 40 to 50 percent of the money into the economy with the receipts you have. But it goes to feed, it goes to taxes, it goes to--

**ROGER WALLACE:** Correct.

**GROENE:** Yeah.

**ROGER WALLACE:** Yes.

**GROENE:** So that's kind of misleading. And I believe we, ag pays 30 to 40 percent of the total property taxes in the state, if you look at the Property Tax Credit Fund numbers it's--

**ROGER WALLACE:** Well--

**GROENE:** I'm, I'm on your side. What I'm saying is this is misleading that ag is a small part. What you're telling us here isn't, isn't it

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that after ag pays all of these property taxes, pays all these inputs, it gives all the jobs in the city, you guys get 5 percent?

**ROGER WALLACE:** Right.

**GROENE:** All right, thank you.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? One question. So this bill here that we have in front of us, do you view that as property tax relief at all?

**ROGER WALLACE:** In-- no. Well, no, I don't. And I'm sorry, Lou Ann, but because I do think the next trend is still-- we're dropping, farmland values are dropping, and I think that trend persists for a few more years. Again, unless you--

**FRIESEN:** Have you ever served on a board?

**ROGER WALLACE:** No.

**FRIESEN:** OK. I'm just curious if, you know, in your mind, that there is going to be some pressure on those boards to hold down levies in the future as valuations rise. From my perspective, I think it does. But it's, in the end, we have to, we also have hold down spending.

**ROGER WALLACE:** Right. You know, we have quadrupled, as you all know in this group, we basically have quadrupled ag land tax-- or the tax revenue off of ag land in the last 15 or so years but.

**FRIESEN:** Thank you, Mr. Wallace. Any other proponents? Seeing none, are there any opponents to LB103. If there's any other opponents, if you would come forward and have a chair. Welcome.

**KYLE MCGOWAN:** Thanks. Good afternoon, Chairperson Linehan and Vice Chair Friesen and members of the Revenue Committee. My name is Kyle McGowan, K-y-l-e M-c-G-o-w-a-n. Today I'm representing six educational groups: Nebraska Council of School Administrators; Greater Nebraska Schools Association; Educational Service Unit Coordinating Council; Nebraska Rural Community Schools Association; Nebraska Association of School Boards; and Nebraska State Education Association. So we're trying to just respect your time and not have a parade of people up here. LB103 makes sense, and I'm, I'm hoping that-- I am opposing it, by the way. But the idea that a board should look at their levy and compare that to the revenue that's coming in is done at every good budget meeting. Every school board should look at-- understands the

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relationship between valuations and levies. So why are we opposing it? Because we think it's, first of all, redundant. We advertise we have budget hearings, we, we share this information. I would very much disagree that there isn't transparency. There's advertising for all of these pieces. A gentleman brought up Lincoln Public Schools. I think LPS has voted for every bond that's ever been in front of them. I've never seen an LPS board member brought up to be impeached. So I think there's plenty of transparency. I wasn't able to hear you, Senator Crawford and Senator Linehan, but there is a significant piece that's a problem, it's the timing. So I may have heard that that timing was going to be addressed. Just for clarification, schools receive from the county clerks. And I can just speak, I was a superintendent for 10 years at Crete. We received money from four different counties, August 20 was the date that they had to certify, which often meant August 20. And then we have to submit a budget to NDE by September 20, which means you have to have a budget hearing before that time. Which, by the way, at budget hearings sometimes things change. So and Crete, by the way, is not western Nebraska. Some people think we're a 308. We, we have a newspaper that's weekly. This year, in 2019-- or excuse me, yeah, 2019, August 20 is on a Tuesday. The newspaper goes to print on Tuesday, delivered on Wednesday. In this scenario, I wouldn't have been able to put anything in the paper until the next week, and there's no way I could have made the 30-day notification. So if that could be worked on that, that would be half of our issue that we have. Budget hearings tend not to be well attended, and I don't think it's a lack for advertising or a lack of transparency. I think a lot of times it's because our six elected board members, and hopefully their administrators, did a good job communicating. So with that, I'll just try to answer any questions.

**FRIESEN:** Thank you, Mr. McGowan. Any questions from the committee? So when, I guess from my standpoint I, I've served on boards in the past, and then I always made it a point-- and maybe, maybe this is, it's also maybe the publication of the newspaper's problem. But what really irritated me at times is when the headlines came out that the board held the levy the same, so there was no increase in asking. And that was the headline. And yet, valuations increased. And, as we know, expenses always increase, or generally do, because operating costs go up. And so, I mean, this bill, I see it, it does no harm. But it does, I think, put people on notice that you have raised taxes. Which when you-- when I would have to write a bigger check, that's a tax increase to me, whether the levy went up or not.

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**KYLE McGOWAN:** Yeah, I don't disagree. I, I call it real money because if your levy went down but was not commensurate to your valuations, you're still paying more money.

**FRIESEN:** Yes.

**KYLE McGOWAN:** Right? So and how the newspaper or you, how you want to spin things sometimes, is influenced by whomever. So I, I understand it completely. I don't see this as real, you know, being significant property tax relief. I am bothered from the idea that schools, and I'm only speaking for schools, don't do a lot already to communicate to their public. And many of you have been on school boards, and have gone through those processes, and still don't necessarily see a lot of people at a meeting, unless you're going to fire a coach or something.

**FRIESEN:** Well, I mean, when I, was when I was on boards I-- when we did a press release, I made sure that I required that we put in there that we raise new revenue. And it was just a point to make more than anything else on this. This to me, I guess, just clarifies that, but it doesn't put an undue burden on.

**KYLE McGOWAN:** Yeah, it's a, it's another meaning. Again, school board members tend to be, you know, intelligent people, and superintendents are above-average intelligence. They understand the relationship between the levy and the valuation. So, you know, so it's one more meeting and you have to vote for it. I still think it turns out the same way. I'm just wondering if really this is of enough value to put into law and to have, or if it's going to make a difference.

**FRIESEN:** Senator Groene.

**GROENE:** Thank you, Vice Chair. In your defense, schools have a different funding situation than the community college. And you're tied with state aid so.

**KYLE McGOWAN:** Right.

**GROENE:** But, you know, it is frustration, frustrating to see school superintendents say: We've got less money from the state [INAUDIBLE] and not also say but, you know, we're spending more. It's just the tax, the property taxpayers, it's out of that pocket instead of the state's pocket. But, but I understand your, the school's situation because if they're going to take-- the TEEOSA formula makes you take account for your valuations increases, which then cuts your state aid.

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But there's ways to fix that too. But, but most of the other taxing entities, which we probably will help from-- hear from, don't have that excuse. So anyway, I just wanted to make that point in schools' defense, you're forced to.

**KYLE MCGOWAN:** I think, Senator Linehan, your, your purpose of maybe clarifying that information from the general public is, you know, I understand that. I'm just, you know, we work in a representative body of government. So school boards are your representatives, they understand this. And, you know, I, I think a school, a good school board communicates with their public. And then you do everything you can to get participation or feedback. And you go from there.

**GROENE:** I wasn't done questioning but.

**FRIESEN:** You're still going.

**KYLE MCGOWAN:** I'm sorry.

**GROENE:** But the point it would make you admit when you did this is, yes, we are spending as much or more than last year. And when you went to the public on this hearing, you'd say the reason we have to keep the levy up is to make up the difference that the state didn't give us that.

**KYLE MCGOWAN:** That's very possible. Again, that local control piece. So our board, it was critical for them to keep the cash reserve at 25 percent of our budget, because there is a situation that went below-- that's something all of you can appreciate with your rainy day fund. So that's how the levies-- now, in full transparency, I'm superintendent for 10 years, I lower the levy nine times. Was that lowering the levy commensurate with how much the valuations went up? No.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Friesen. Thank you for testifying today, Kyle. Question for you. It sounds like the timing is an issue, and timing has always been an issue. When you talk about school boards, and when they get this information and when you can publish it. Are you willing to work with Senator Linehan on trying to correct that?

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**KYLE MCGOWAN:** Yeah.

**KOLTERMAN:** Have some suggestions that you can give to her or her team?

**KYLE MCGOWAN:** Jack's a good person, and we'd be happy to talk. Now, again, I just listed six people. I bet we have six different organizations' ideas of what enough time is. So we'll certainly work with Senator Linehan's office. And at least, you know, if, if we're deciding to go through with this, to make it so that we can work within its time line.

**KOLTERMAN:** Thank you.

**FRIESEN:** Thank you, Senator Kolterman. Any other questions from the committee? Seeing none-- oh, Senator McCollister.

**MCCOLLISTER:** Thank you, Senator Friesen. So the primary objection is just related to the dates instead of the concept?

**KYLE MCGOWAN:** Yeah. That the concept should already be taking place at a school boards at least budget hearing. Any, any school board that's having a budget hearing, their board members should be talking about the revenue versus the levy. If that's not taking place, I think they're not doing a good job with, within their own board. So the two arguments, one, it's redundant; two, and then to make this a prescript-- prescriptive process, to add yet another budget hearing, essentially. If that's going to happen, we really need to take into account the time lines that are within this bill.

**MCCOLLISTER:** I'm trying to gauge the degree of heartburn from the organizations that you represent.

**KYLE MCGOWAN:** Oh, it's, you know, it's one more thing. And, you know, every year there's bills that come up that are asking schools to do things that not necessarily costs money. But, you know, one more thing.

**MCCOLLISTER:** Thank you.

**FRIESEN:** Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you for your testimony. Other opponents? Welcome.

**STEVE CURTISS:** Thank you. Good afternoon, Senators. I'm Steve Curtiss, I'm the finance director for the city of Omaha. Curtiss is

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C-u-r-t-i-s-s. And I'm here to speak in opposition of LB103, sorry, Senator. The senator is a great proponent of our city. The city of Omaha conducts its budgeting process with transparency and citizen involvement. What I sent around was some briefing documents that everybody's aware of in our city, as well as our budget. This happens to be the adopted, but we have a recommended that goes onto our city Web site in, with about six months warning before that budget would go into place. And in there it discusses what our levies are going to be, what our projected property tax collections are going to be. And I guess we're not, we're not aware of a large movement in our area about this limitation concept, only because we don't really have any ag value land to begin with. We've also had an issue in Douglas County where our assessments haven't really kept pace with hardly even inflation. So while we get a little bit of an increase, I know in the last year or so the new assessor seems to be ramping that up a little bit. But we have a lot of examples of houses that have sat on the market for six years or so without any difference or really any change in their valuations. And so it seems to be for, in our case and our case only, and I realize we're not an agricultural area, but it seems to be a solution in search of a problem, because we don't really have the problem related here. But we did have the timing issue, and I think you've talked about a little bit the fact that we have to certify our levies to the state by September 20, and this wouldn't allow us to get that until about four weeks before. And given the size and scope of our billion dollar budget, that would be a lot of work to rework and accomplish in a couple of weeks. We have lowered our levy twice in the last four or five years, and our mayor is committed that she will again if the circumstances allow. We have been at about inflation around 3 percent or so for the last, at least, four or five years, with some exceptions. But we've also been a little bit lower. And our valuations have essentially kept pace with that. We do feel like in our budget meeting that we do address these very kinds of issues. Do we do it specifically and say, hey, by the way, your property went up a few percent and so did property tax. I think it's implied here, we don't make that statement implicitly. We certainly could, if that would solve this. But we already have a fairly large budget meeting, and this would add another one that would kind of replicate the one that we already have. So to us, it doesn't seem quite so efficient. But with that, I'd end my remarks and be happy to take questions.

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**FRIESEN:** Thank you, Mr. Curtiss. Any questions from the committee?  
Senator McCollister.

**McCOLLISTER:** Yeah, thank you, Senator Friesen. The city of Omaha passes of budget every year, it's a matter of city council approval. So that, that particular effort would perhaps serve as a, the same purpose. Don't you agree?

**STEVE CURTISS:** Maybe I didn't follow your question. You mean the new bill or--

**McCOLLISTER:** This bill would require a separate, separate event to, to approve the new levy, or at least demonstrate that you're generating more money. Don't you agree?

**STEVE CURTISS:** Yeah, I think our current process already makes it pretty clear we're generating more money. But we could certainly--

**McCOLLISTER:** And you have in the past generated more money, even with the drop in the mill levy, correct?

**STEVE CURTISS:** Yes.

**McCOLLISTER:** So you would be required to have a supplemental meeting, isn't that correct?

**STEVE CURTISS:** Under this bill, do you mean?

**McCOLLISTER:** Yes.

**STEVE CURTISS:** Oh, absolutely, yes.

**McCOLLISTER:** But when you pass a budget, the city council-- it comes before the city council and you pass it at that point too. Is that right?

**STEVE CURTISS:** There are a number of resolutions to satisfy state law that we go through, and I assume this would be another one that would go in that process, in addition to the additionally-required meeting.

**McCOLLISTER:** OK, thank you.

**FRIESEN:** Thank you, Senator McCollister. Any other questions from the committee? So I'm hearing a little bit of a consistent theme. It's more it's not the, it's not the process, so to speak, of the levy and

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setting it, it's more of the extra dates, the timing. Is that more of a concern to you that it is--

**STEVE CURTISS:** I would say our budget maybe is a little bit more complicated than other cities, just because it's larger. I guess everybody's got the same sections in their budget, if you will. For us, I just think I would get concerned about the amount of rework we might have to do, not knowing for sure where the council was. I don't know that we could hit our statutory September 20. Again, I don't know how early we could get our valuation. I guess we'd have to see how early counties could get their valuations to us prior to the currently required August 20. I don't know that in our case this-- it doesn't seem like in our case, since we haven't had runaway valuations and haven't for a long time-- in fact, ours detracted or ours contracted quite a bit in '07, '08, '09 area. And I would argue if, and I think I could prove this, if you got on our sites today you could see most houses are gravely undervalued. And that's the issue that we've struggled with quite a bit. A number of years our property taxes haven't kept track with inflation. Again, it's a different issue that I think that occurs out of the ag world, so our situation is a little bit different.

**FRIESEN:** So you're, you're not concerned that the housing valuations are going to rise? Everybody's talking about the hot housing market right now and valuations jumping 20, 30 percent. That doesn't, won't affect anything here?

**STEVE CURTISS:** I would love to see that in the city, actually. I think, again, if I find any houses currently, I think I could show you most of them are 20, 25, 30 percent undervalued on the assessor's site.

**FRIESEN:** So you're saying your, your values are undervalued--

**STEVE CURTISS:** By quite a bit. And they have been now historically for probably 10 years-plus.

**FRIESEN:** By law, they're required to be at 92 percent, but they're not?

**STEVE CURTISS:** That's correct. I would argue that is exactly correct.

**FRIESEN:** OK.

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**STEVE CURTISS:** And the current assessor seems to be attempting to address that. She's been in office, been in office for a few years. And we've seen some movement in some of these prices. You may remember about two years ago there was a lot of outrage where people were getting large increases, and then I'd go look them up and it wasn't anywhere near what they just bought the house for within the last year.

**FRIESEN:** Most valuations have a very large correlation to state aid to schools also.

**STEVE CURTISS:** Yeah, I'm not familiar with their TEEOSA formula, but I'm not sure anyone understands that one. But I'll take your word for it.

**FRIESEN:** Thank you. Any other questions from the committee? Seeing none.

**STEVE CURTISS:** Thank you.

**FRIESEN:** Thank you. Other opponents? Welcome, Mr. Adams.

**GREG ADAMS:** How are you? I thought I'd jump at the opportunity. There was moments of indecision. So Greg Adams, G-r-e-g A-d-a-m-s, representing the Nebraska Community College Association. I'll make it very short. You have letters in your packet, one signed by all of our presidents. And our biggest concern is simply the timing. When you consider that everything's got to be to the state budget item, had to be to the state by September 20, valuations don't come in hand until August 20. And our problem gets complicated slightly more because our aid distribution formula for community colleges has to take into, into account FTEs and REUs. And an accounting firm will do the auditing on those things. Those final numbers get handed over to the Coordinating Commission, and then our appropriation is divided between the six community colleges accordingly. So besides valuation there is also our state aid, that we're pushing up against debt that mid-August, August 20 date, the way it is, just to get all the numbers in that we need to be accurate in any of this. So it's really a timing issue for us. That 30-day notice compared to the 5 that's in current statute, if you want accuracy in the numbers that we're going to use and show to the public it, the time line has to change. And with that, I'll take questions.

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**FRIESEN:** Thank you, Mr. Adams. Any questions from the committee?  
Senator Groene.

**GROENE:** Thank you, Vice Chair. You do know that when a person looks at the property taxes over the last 10 years it's been the community colleges most been most grievous: 285 percent. Because they have all the ag land in their, in their taxing authority. And at the same time, we double state aid to community colleges. So for me, that's a target.

**GREG ADAMS:** We don't-- excuse me, Senator. Go ahead.

**GROENE:** But if you look at the property tax, what they've done, they've taken full advantage of the valuation increases and came back and said: We've lowered the levy one-tenth of a percent when their valuations went up 15 to 20 percent. So to me, this would be one I would love to see this bill passed on, especially a couple of-- mine wasn't so bad, but Norfolk was really bad, and a couple others. Hastings was, was egregious too, how much advantage they took. And then the papers had said they didn't raise the levy. So that's a concern of mine.

**GREG ADAMS:** Well, I'm not going to argue with you, Senator, because there's unquestionably, there have been cases where those, those levies have gone up. Or the levies stayed right where they were, but the valuation provided them more income. There's no question about that. The only caveat I would add to that, and I can show you if you want, if you look at our state aid numbers over the last 10 years, there's been very little movement and that's, that's accounted for some of that increase. No question. I won't argue with you.

**GROENE:** OK, thank you.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? Seeing none, thank you your testimony.

**LYNN REX:** Senator Linehan, members of committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We respectfully are here to oppose this measure. There's a timing issue. It's already been pointed out, so I'm not going to belabor that. We can't make the 30-day notification as required under this bill when we get the levy, or the valuation numbers on August 20, and then we've got to certify the tax asking by September 20. I would like, though, just a backdrop to begin this, to read just out of page 27 of the executive summary of the 2013 Tax Modernization Committee chaired by

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Galen Hadley, when he went across the state of Nebraska. I think 12, maybe, different sites across the state. But in any event, I thought this was interesting. The main focus of the Syracuse study, and that was a 1987 study paid for by this Legislature, was Nebraska's higher-than-average use of property tax in its tax system. Syracuse authors recommended reducing the role of property taxes in financing government services. The main policy option they identified was an increase in state aid to local governments. They reported that all Nebraska local governments experienced lower levels of state revenue sharing than local governments in other states. They advised retaining existing aid programs for all governments and supplementing these aid programs with aid based on equalizing concepts. The equalizing concept they advocated involving uniform measuring public services needs and economic capacity needs. They go on then to say, and the Legislature then eliminated state aid to municipalities, to counties, to NRDs, and others. So the Legislature has twice since I've been involved in representing municipalities paid quite a bit of money to have tax experts come in, and people that did not have a dog in this fight, to decide what should the state of Nebraska do. And basically, the Legislature has taken those studies and decided not to implement them. But the reason why I would submit to you, just as a starting point today, that we're dealing with property taxes that we have in this state is because the state Legislature has not-- your predecessors, not you-- have not reimbursed local governments and replace the tax base that was taken away. And when you take time to read, and this is on the Web site, so you can read all of these, these two tax studies, the 1987 Syracuse, the 2013 Tax Modernization study done by this committee, what you will see is that uniformly local governments have not been reimbursed as they have been in other states. And so with that backdrop let me just say, again, there's a couple of things on this bill to point out that we would appreciate. Certainly, we really appreciate Senator Linehan addressing the timing issue. You're aware of that. Secondly, the financial cost. We have 380 villages in this state. There are 529 cities and villages; 30 cities of the first class, Lincoln, Omaha; 116 cities of the second class; and then 380 villages. The financial element here that we've heard from our cities, and again I'm looking at page 3 of the bill and what has to be done in terms of the publication requirement in terms of the size of the ad and so forth in a paper of general circulation. We would just suggest that there may be a better way. And certainly for municipalities, I can't speak for others, in order to really advise citizens of what's going on, and that would be to require them to do the same size that you want to have here. Only have them post that in the three public

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places where they normally post. The cities in this state and villages literally post in three public places. And, for example, I was talking to the city clerk of Stromsburg today. I handed out a letter from the city of Stromsburg for your review; and I know Senator Kolterman, you already received this. But in Stromsburg they post at city hall, the post office, and the grocery store. And putting this same size of here's what we're gonna do, here's what the tax increase would be under the additional requirement under this bill, that it-- happy to do it. It doesn't have any great cost to them, and people are used to going there and knowing that that's where they find out when their meetings are and what their agendas are and this will be the extra hearing. I think that would be really valuable. I'm just suggesting to you the cost to do this and papers, for the especially the villages, is really a problem. Cities of the first class, life will go on for them; Lincoln and Omaha. But certainly, you look at these other entities, and it, it's going to have an impact. So and I do want to underscore this too, that just the backdrop. When you look on page 2, and you look at what they're already required to do, the language that's being deleted starting on lines 13 all the way to line 27. So basically right now we have a lid on restricted funds in Chapter-- in 13, Article V; which is 2.5 percent of restricted funds from the prior year, plus an additional 1 percent on a supermajority vote. Senator Linehan, may I continue just for a few minutes to finish-- oh, I'm sorry. I'm sorry, sorry, Senator Friesen.

**FRIESEN:** Try and wrap up soon.

**LYNN REX:** OK, I will do that. I will do that. So essentially, what you have right now in current law is this overlay. You have a 2.5 percent lid on restricted funds of the, over the prior year. In other words, you're the same, or you can go 2.5 percent, an additional 1 percent with a supermajority vote. That's essentially what it is in the state of Nebraska for municipalities. And others too, I mean, when you look at 13-519. In addition to that, under Chapter 77, you have a, you have a levy limit. That is a levy limit of 45 cents plus per \$100 of valuation with an additional 5 percent for interlocal agreements. When that went into effect in 1996, basically two things happened. And just quickly, I'll make it very quick. Senator Warner believed, the former chair of this committee, there were some places in this state that didn't pay enough property taxes, there were other places in the state that paid too much. And so it was a levy, it was a levy basically to level the playing field. And so levy limits were passed with LB1114 in 1996, taking effect in 1998. From that point, we also had then a 2.5

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percent basically a lid on restricted funds that went into effect in 1996. It was supposed to go off in 1998, and that didn't happen. So what you have here then is an additional layer on top of it, and frankly, we have no problem comports with that. We're just suggesting the timing, which you're already prepared to address. We really appreciate that Senator Linehan. And then secondly, to do something about the costs in here of what it costs to do these ads. Because this would be an expensive proposition. Again, it's not going to break North Platte, but there are a lot of villages out there. This is a big, would be a big issue for them. So you basically end up then with a layer of three different types of limits you have to deal with. This is something that I think is important to just to consider. And but it is a timing issue, it is an expense issue. And I, we just thought there's a much better way to let people know, you think about as a former mayor of Henderson, where people know when those city councils are going to meet, whether it's for the hearing or whatever it is. They know where to go, they know where they're posted, they know how to deal with it. That, to us, would be a much, much more effective way. And if you look right now what the requirement is--

**FRIESEN:** Could you, could you please wrap up?

**LYNN REX:** Yes, OK. On page 2, it just talks about having a publication in a newspaper of general circulation in an area of the political subdivision at least five days prior to the hearing. And even if you'd kept that, but just had the other super, super notice posted, we think that would be helpful. I'd be happy to answer any questions that you might have.

**FRIESEN:** Thank you Ms. Rex. Any questions from the committee? Senator Groene.

**GROENE:** You started out by saying you had heard this before from your organizations. You lost your state aid.

**LYNN REX:** Yes, we did.

**GROENE:** Because that was one of the comments you made earlier, and then your property tax levy. The reality is you did get, you do get state aid, and a lot of state aid through the Property Tax Credit Fund. You get a lot of state aid.

**LYNN REX:** No, no.

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**GROENE:** The Property Tax Credit Fund is given to the county assessor, treasurer, she splits it up by division and sends a check to the city, and that's state money. That's state income and sales tax money, the same thing you're aid to local governments used to come from so.

**LYNN REX:** Actually no. I mean, I am no expert on TEEOSA. The TEEOSA issue, I'm not going to talk about. But in terms of aid to municipalities, aid to counties, what that line item was, that was intended, even though it was really not even adequate to address what was lost, just because of LB518 back in 1978.

**GROENE:** You go back and ask your members if they get a check from, from the county assessor-- county treasurer every year that originates from the Property Tax Credit Fund. They did--

**LYNN REX:** Oh, I'm sorry. There is, there is, yeah. With respect to that there is--

**GROENE:** That's state aid from the state, because its income and sales taxes. So you do receive that. And then as far as the evaluations--

**LYNN REX:** Are you talking about what goes to individuals, Senator?

**GROENE:** No, to the city. You get a check, just check it out. You get a check. Every town, every community gets a check from the county treasurer that's state money.

**LYNN REX:** What they're getting-- well, we can talk about it later, if you like. But they're getting, what they are-- from the, what the county, what they get from the county would be what their tax asking is, and then the money comes through that.

**GROENE:** And then also your cities, on your own choice, cut your valuations by giving TIF away. You do it yourself, to yourself so.

**LYNN REX:** Actually, when, you know, I really appreciated some of the comments that the Governor had about how well this state is doing in terms of economic-- I think, I think the comment was something to the effect that we have more economic development projects in this state per capita, I think, than any other state. And we were recognized for that. Those projects happen in and around cities because that is where the infrastructure is. And tax increment financing is one of the few tools that municipalities have. And so that's extremely important.

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**GROENE:** Doesn't do me any good in rural Nebraska where we have a recession going on, a depression. But I'm glad it helps the cities. Thank you.

**LYNN REX:** It helps the entire state, because the state is growing.

**GROENE:** Yeah, I've heard that one before too. Anyway, thank you.

**FRIESEN:** Thank you, Senator Groene.

**LYNN REX:** You're welcome.

**FRIESEN:** Senator McCollister.

**McCOLLISTER:** Thank you, Senator Friesen. Ms. Rex, you talked about levy limits that exist in the Nebraska tax code. Could you once again tell me what those tax codes are?

**LYNN REX:** In terms of what it is in the--

**McCOLLISTER:** Those levy limits.

**LYNN REX:** Yes. I mean, if you look in Chapter 77-3442, what you will see are the levy limits that were put in place. The bill passed, LB1114 passed in 1996, the Legislature gave local governments two years to implement that. So they were implemented in 1998, and that's 77-3442. For municipalities, it is 45 cents per \$100 dollars of valuation, plus an additional 5 with interlocal agreements. For counties, because they have a constitutional lid already at 50 cents, there was 50 cents minus the 5 cents for the interlocal agreement. And then there's one for schools and everybody else. Those, those levy limits are all set out.

**McCOLLISTER:** It's set out in statute that in order to exceed that levy limit you have to have a supermajority. Does that apply--

**LYNN REX:** Oh no, no, no, no, no, I'm-- no. No, sir. And I apologize if I misspoke. The lid on restricted funds over the prior year that you can do with it, you can have an additional 2.5 percent, which is the base limitation in Chapter 77, 2.5 percent, with an additional 1 percent with a supermajority vote of the city council or village board. Then, on top of that, they, they cannot exceed their levy limit. They could have a vote of the people to exceed, exceed the levy, but they can't do that themselves as a city council or village board. And just to underscore the importance of this, the 529 cities

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and villages, over half of them are already at the maximum levy limit. And about half of them cannot even raise money to raise the 2.5 percent that you would allow them to spend if they could raise the money.

**McCOLLISTER:** Can you define, define restricted funds?

**LYNN REX:** Yes. In fact, I was going to, I should have brought it up here. I had it, I had it for everybody. I mean, it's essentially, it's almost about everything here. So I'm going to read in part here, and I'm not gonna read the whole thing. And I'm reading from 13-519(1)(a): No governmental unit shall adopt a budget containing a total of budgeted restricted funds more than last year's-- last prior year's total of budget restricted funds. So in other words, it's the same, same dollar amount, plus growth. But that growth is 2.5 percent, so very few cities can even take it at all. So it's 2.5 percent. And then it goes on to say that in (2): A governmental unit may exceed the limit provided by that for a fiscal year up to an additional 1 percent upon the affirmative vote of at least 75 percent of the governing body. Bottom line is, it's everything. What, what is in restricted funds? It's everything except the following. So in other words, it says; if you have any doubt, it's in it, but here are the exceptions that are not included in restricted funds over the prior year. And this is in 13-520, 13-- Chapter 13-520. The limitations of the 2.5 percent plus 1 percent supermajority vote, if you do that, shall not apply to (1) restricted funds budgeted for capital movements (2) restricted funds expended from a qualified sinking fund for an acquisition or replacement of tangible personal property with the useful life of five years or more, (3) restricted funds for bonded indebtedness. And I won't go through the details of all that. Restricted funds budgeted in support of a service which is an interlocal agreement, that has to qualify under certain restrictions, (5) to pay for repairs for infrastructure damage by a natural disaster, (6) judgments-- except not CIR. Former Senator Doug Kristensen did not want that exception there. So for CIR cases; (7) restricted funds for NRDs and certain types of things that they need to do. So everything, else everything else, sales tax revenue, everything else goes into the concept of what is a restricted fund. And basically with those limited exceptions, and the one that really applies to cities are when you're doing capital improvements and bonded indebtedness.

**McCOLLISTER:** I think you really told me more than I wanted to know.

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**LYNN REX:** I'm sorry, I'm sorry. I did not want an incomplete answer, I'm sorry.

**McCOLLISTER:** Thank you.

**FRIESEN:** Thank you, Senator McCollister. Senator Groene.

**GROENE:** One clarification point.

**LYNN REX:** Sure.

**GROENE:** Isn't interlocal agreements the big leak? I mean, I could list off interlocal agreements locally that I have, 911 completely off, off their budgets because it's with the county. The other, here a couple of years ago they did an interlocal agreement with the city and the county for fuel purchases. They both ordered their fuel from the same place, the same price, and they both get to take their fuel purchases off there. There was a big hole in that 2.5 and 1 percent, and it's called interlocal agreements.

**LYNN REX:** Well, unfortunately, Senator Warner isn't here. If he was, I think I could speak for him to say this. He was the one that incented interlocal agreements and put those outside the lid on restricted funds. And the reason why he did that is because at that time, back in the '90s local governments were not working together. They weren't doing some of the, they were not doing joint purchasing. They were not doing some of the things that they're doing now. And so we see it as a tremendous plus that there is a huge amount of interlocal agreements in the state of Nebraska all across the state, with folks working together. That was the incentive. And he said, I want you to do it. And he said, I'm going to tell you how you're going to do it, because we're gonna create the incentive for you to do it. And he said, I expect to see these numbers increase dramatically, and they have. So I don't see it as a leak. I see this as a positive effort by local governments to work together. Because if they weren't working together. My guess is you'd have bills in here saying: Why aren't you working together? That's an important thing. And a ton of money, lots of money, millions of dollars have been saved by virtue of interlocal agreements, Senator. And I know we see things differently.

**GROENE:** It's been abused lately. It's been abused. But anyway, thank you.

**LYNN REX:** You're welcome. Thank you very much.

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**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? Seeing none.

**LYNN REX:** Thank you very much. And Senator Linehan and committee, we're happy to work with you, committee counsel, to do anything we can to assist with the passage of this bill or others. Thank you.

**FRIESEN:** Thank you. Welcome.

**MARK JOHNSON:** Thank you. Good afternoon, Mr. Vice Chair, members of the committee. My name is Mark Johnson. I usually don't have to spell that, but I'll do that, because I know that's the process. M-a-r-k J-o-h-n-s-o-n. I'm here today on behalf of the number of SIDs, sanitary improvement districts, that are law office that Fullenkamp, Jobeun, Johnson, and Beller in Omaha represents. We represent a good number of the approximately 300 or so sanitary improvement districts in Douglas and Sarpy County. So my comments will be limited to just how this proposed legislation, we think, impacts those SIDs. A lot of the points I was going to raise have been raised multiple times, so I won't belabor those. I know we're going to work on the timing issue and we appreciate that, especially for a small office like ours that represents, you know, 75 to 100 of these or more to get all these budgets kind of timed out within, and to coordinate with the various accountants. It's quite an undertaking under the five-day notice provision that's currently in state law. And 30 days, you know, it's just, just really difficult to comply with. So we appreciate that consideration. One of the other things that Ms. Rex hit on that doesn't seem like a big deal when you're talking about the larger cities, but on an SID that has a relatively small tax base and a relatively small budget when you compare it to the cities and counties, the administrative costs associated with an eighth of a page for advertising, you know, is-- can be a little bit cumbersome. And I know that's maybe an unintended consequence for a limited number of these political subdivisions, but we think it could have an adverse effect on many of the SIDs that we represent. And maybe I'm misreading the law as it currently stands. But I can't remember the gentleman's name who spoke first, but the law currently is that we have to now have a special hearing to raise a tax, a total tax amount different than the year before. As I read the legislation, I think we're all for transparency and I think that the mechanisms are in the law today to, to require that. This is more of a change in the administration of that transparency by requiring a large notice. And I think currently the notice just requires us to state what the dollars were that we

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raised last year, and what the levy was set at to raise those dollars, what the valuation is today, and kind of back into that number the difference in the legislation. Which I think is, is fine and it speaks to the transparency. The goal of transparency is the, the line item that requires us to say that our budget is now X percent larger or smaller, which is very unlikely, than it was the prior year. While not a huge issue, we don't have any serious objections to that, how an SID works, it could have an adverse effect on and it could cause some residents to just need some clarification. Because as an SID starts from zero valuation, right, and we put on \$10 million in valuation, our levy, which is usually 88 to 90 cents as mandated by our governing jurisdiction when we do a subdivision agreement, is fixed at 88 to 90 cents, right. And so when we go from \$10 million to \$20 million of valuation because homeowners or house builders built 15 new houses when there were none the year before; or 15 to 30, whatever it is, you know, it will show on print, well, we're doubling our budget. But really, I mean, we are, but we're, we're moving towards what the projected total valuation is. That's necessary to amortize our debt to hopefully allow the governing jurisdiction to annex us one day. So while not a huge issue, I think, as I read the law, that's the biggest change in the administrative effect of this. And then to Ms. Rex's point, currently we publish, when we have a budget meeting for all of our SIDs, we publish twice. We publish a notice of meeting for a budget hearing and we have a separate notice that's probably about that big that says we're having a special public hearing to set a tax request different than the year prior. The costs aren't that significant. We don't have to post anything on the wall, as this would prescribe. I think the way we do it today makes sense and provides that level of transparency. I fear that if we add these extra levels of work, I mean, for an SID, the SID is not a city, it doesn't have city hall. Its principal place of business where it conducts business is our small office. So during that period of time we're going to have, we might need a map to figure out where your publication is on our wall in 18 size font. So little things like that that we'd be more than happy to work with Senator Linehan, if she would like our input on maybe some tweaks to that. But that's all the statements that I have. I would be happy to answer any questions.

**FRIESEN:** Thank you, Mr. Johnson. Any other questions from the committee? Seeing none, thank you. Welcome.

**PATRICK SULLIVAN:** Good afternoon, Vice Chair and committee members. He took about 90 percent of my thunder, so you might get rid of me pretty

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quick. But I still want to reemphasize, because it's very important for us, I represent a number of SIDs, the firm of Adams--

**FRIESEN:** Spell your name.

**PATRICK SULLIVAN:** I'm sorry. Patrick Sullivan, P-a-t-r-i-c-k S-u-l-l-i-v-a-n. Our firm represents a number of SIDs as well. I also represent the city of Bellevue and a number of other public organizations. Trying to get these hearings scheduled even on an individual basis, let alone on multiple cases, and in particular if, for some reason, people are out of town on smaller entities, smaller public entities, the necessity to attend a meeting sometimes does not have the same necessity as you may a city council or otherwise. We may very well miss these deadlines, and we're hammering people to show up at meetings to get these done. The current law as it is now with the five-day notice, and then what has to be in the notice, is very-- if you kept it to that and just added the percentage increase, that would essentially do the same thing. Right now, under the current notice, you have to do the math to do the, to figure out the percentage; because it will say last year we levied a million, this year we're levying a \$1.1 million. Yet, doesn't say that's a 10 percent increase. The change in this bill would say that's a 10 percent increase. I don't see any problem with that other than, as Mr. Johnson had said, we will see 40, 50 percent increases on a growing property. You will see that in a city that has an anomaly that has a very high rate of growth as well. But other than that, it works well now with the budget hearing process and the special hearing on the tax request that we can publish those together. And generally speaking, once that we know those numbers on August 20, that's the first time that we can complete items one through four, the notice that's required under this bill, because that's the first time we have actual numbers. And then we have accountants that are sitting there pounding those numbers, particularly on SIDs, to try to get those notices out to us so that we can try to set a date. And then we're calling everybody to say, can you make this date? Oh, by the way, we need four out of five votes because we need this extra 1 percent. So it is rush on from August 20 to December-- September 20. And if for some reason there's a problem in getting these meetings done, we have no option. We have to get those done. And I think from this standpoint everybody is not setting budgets at different times during the year. Everybody knows that those budgets are getting set between August 20 and September 20, so it's very easy to open up the paper and look for that notice as opposed to having these gigantic publications. They're going to-- I've got some

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SIDs, their whole annual budget is less than \$10,000. They're just very small maintenance condition budgets, or SIDs, and they've got to do these publications. And they, they grumble at me when they publish for the budget and the special hearing now. So one other thing I just wanted to touch on in particular, there was a discussion about something going up at 10 percent in the city of Lincoln. If you go back to where we had this recession period, we already have budget limitations on place. So many of the cities kept those budget limitations, they didn't have any choice. They ended up then going into their reserves to fund those budgets during those years. When the economy comes back up and that valuation goes back up, they then have to replenish those reserves. And so they are going to levy more than the 3 percent increase or the 6 percent increase. They may levy the 10 percent because they've got to replenish their reserves. Because not only do they have to replenish their reserves but they don't know when that next recession is coming where they're not going to be able to bring in the budget that they need. So I, is there some abuses there? Absolutely. And there's, is there money grabs there? Sometimes. But there is real budget fact issues that have to be addressed sometimes and to raise those numbers. And I will agree with you, the interlocal is getting abused to some extent.

**FRIESEN:** Thank you, Mr. Sullivan. Any questions from the committee? Senator Groene.

**GROENE:** Just got a compliment. I got to ask a question. Explain, are you a law firm?

**PATRICK SULLIVAN:** Correct.

**GROENE:** And then you specialize and you manage these interlocal-- I mean, not these interlocal, these SIDs for them?

**PATRICK SULLIVAN:** Try to under an SID. The attorney's office effectively is city hall for an SID. We manage all their records, we manage everything that goes through the SID. Their office is our office because you have stuff constantly floating around, you have different trustees all the time that are on the board. So essentially, we function as the administrative office.

**GROENE:** City manager maybe.

**PATRICK SULLIVAN:** Yes. Yes.

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**GROENE:** Then do you contract with the trash pickup and this street clean, snow removal, and all that for them too?

**PATRICK SULLIVAN:** Well, snow removal generally gets done by the county. But if they have trash removal, most cities won't allow you to even contract for trash removal. Those people are contracted individually. But if we do, that runs through the board. Those contracts are maintained at our office. If there's any issues or problems, those-- the only people that are contacting those contractors would either be the law firm or the engineering firm.

**GROENE:** Question. Before you mentioned some cities grow 30, 40 percent, 20 percent.

**PATRICK SULLIVAN:** Not necessarily cities but, but at they-- you'll have anomalies. This, this idea of showing what the percentage growth is, or the percentage increase, assumes a zero-sum game. But in our budget we have to play in for the fact, for instance, Bellevue may be looking at annexing 8 to 10 neighborhoods. Well, that means that they're going to increase their budget because they just increased their population by 10 percent. So that budget number is going to increase by 10 percent alone, let alone any other.

**GROENE:** But the big sales pitch from the economic development crowd, I've watched it 40 years, and when you grow the economy and you grow that population, taxes go down because we've got more taxpayers to share the cost. Doesn't seem to be happening.

**PATRICK SULLIVAN:** Well, I think that's probably true that there's some economies of scale at points as you grow. There's no doubt. But if I bring on another population of 5,000 I still have probably in a 50,000 population area, I still have another 10 percent roads to maintain, I have another 10 percent roads to plow. I still have to maintain--

**GROENE:** But you probably don't need another fire truck, you don't need another police cruiser.

**PATRICK SULLIVAN:** No. That's correct.

**GROENE:** Because you can--

**PATRICK SULLIVAN:** That's correct. And in fact, in the present annexation that they're looking at, there's a lot of things that they're saying they don't need to make any changes for. So, yes.

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**GROENE:** Tax rate don't seem to be going down in those Omahas and Lincolns, seem to be growing. Thank you, sir.

**PATRICK SULLIVAN:** You bet.

**GROENE:** Good testimony.

**FRIESEN:** Thank you, Senator Groene. Any other questions? Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair. And thank you, Mr. Sullivan. I wonder if-- one of the letters that we received mentions implication for bonding. I wonder if you see any implications of this bill in terms of ability to secure bonds or pay bonds.

**PATRICK SULLIVAN:** I don't really see that as a problem. I would like to see what the context of the letter is. But with the same token, you talk about a little slippage. I'm not saying that interlocals are bad, I think they're great. I think the incentives that they created. But with everything that's incented somewhere there's ways to abuse it. And even in the bonding world there's ways to abuse it from the standpoint of it almost makes you create poor decisions, because you say, well, we could fix that bridge but that bridge is going to cost us too much and break our budget. So why don't we just tear it down and build it because we can bond it? So, but I don't really think anything in this particular law that you're doing is going to create any problems with being bonded in any real sense other than if they-- because if you, if you passed a law that said we simply just can't do this, we can't raise it, then that could create bonding problems. But honestly, nobody ever shows up at these special hearings anyway. They will show up for the budget hearing because at the budget hearing really drives what your tax request is. So they may complain about the budget, but once you're done arguing about the budget the, the special hearing on the tax requests is a nonevent.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? Seeing none, thank you Mr. Sullivan.

**PATRICK SULLIVAN:** Thank you.

**FRIESEN:** Any other opponents? Seeing none, is there anyone wish to testify on the neutral capacity?

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**JON CANNON:** Thank you, Senator Friesen. Senator Linehan, Senator Friesen, distinguished members of the Revenue Committee, my name is John Cannon, J-o-n C-a-n-n-o-n. I'm the Deputy Director for the Nebraska Association of County Officials, and we're appearing neutral on LB103. To the extent that 77-1601.02 remains pretty much unchanged to the extent that there's already the starting point of the prior year's tax request, property tax request. We're fine with that. To the extent that there is an enhanced notice provision, there's no problem that we have with that either. And that's why we're coming in neutral. Obviously the timing issues are going to be addressed in, in further discussion, and we're certainly happy to help wrangle any of the political subdivisions that we're responsible for and joining you in finding out what that proper time limit should be. That's all I have. And with that, I'll take any questions you might have.

**FRIESEN:** Thank you, Mr. Cannon. Any questions from the committee? Seeing none, thank you for your testimony.

**JON CANNON:** Thank you.

**FRIESEN:** Any others wish to testify in a neutral capacity? Seeing none, Senator Linehan, are you wanting to close? We do have some letters for the record. Proponent: Tony Fulton, Department of Revenue. Opponents: Randy Schmailzl, Metropolitan Community College; Ryan Purdy, Mid-Plains Community College; Brandon Kauffman, city of Lincoln; Douglas Kindig, United Cities of Sarpy County. And that was all. Welcome back.

**LINEHAN:** Thank you, Senator Friesen. I just want, you know, facts, facts are very important things. So throughout this testimony we've heard about 3 percent inflation. We haven't had 3 percent inflation, except for one year, since 2008. So in 2008 is one-tenth of a percent; 2009, 2.7; 2010, 1.5; 2011, we hit 3 percent; 2012, 1.7; 2013, 1.5; 2014, 0.8; 2015, 0.7; 2016 and 17, 2.1; and so far this year, 1.9. So part of the problem I think we have with property taxes and taxes in general is we have a public kind of attitude that 3 percent growth is normal and we have to have 3 percent increase in our revenues to keep up with inflation. But if you ask anybody in business that hasn't kept their cost, pushed their costs down over the last 10 years, they're out of business because we don't have inflation. And I think even our state employees, for the last two years they didn't get 3 percent raises, they got 1 percent raises. So there's a, there's a disconnect here between what inflation is and what the perceived inflation is in the public sector. I am sorry that I didn't think about villages when

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it comes to posting notices. My mother who passed away was a village clerk for 25 years. She did, as somebody mentioned, 10 days before any meeting posted in the gas station, at the post office, and on the community building's front door that there would be a meeting. She did it, paid for it herself. So I'm willing to work with the villages to figure out. She would be very angry with me if I did otherwise. On the SIDs, I live in an SID. I don't-- maybe we don't. I'm sure we must have an attorney. I will work with them. But we, it's a, it's a line on my property tax, I know that so. But to your point, Senator Groene, when those SIDs go into the city. Let me think, maybe somebody else asked about this. Instead of paying taxes to the SID, you pay taxes to the city. So I think the aggressiveness, if you look at Lincoln and Omaha, I think mostly city council and the mayors aren't thinking it's costing them money when they take in new property with high values. I think that's actually a win for them, should not drive their cost up. Then just one other thing I want to say, and I know everybody's doing their best and we're all public servants here, or many of us that testified today, and I appreciate very much them being here. Mr. Wallace who is in my district, I appreciate him very much coming. But one thing, the reason I think this bill is very important because we do need to do something about property taxes. It's one of the reasons I ran for the Legislature. But we also need to remember that this is not the first time the Legislature has found themselves in this position. Many of you will remember 19-- and Lynn Rex mentioned this-- the study in 1987. We didn't not do anything in 19-- after that study. The Legislature, through LB1059 raised income taxes 2 percent and they raised sales taxes 2 cents. And we put that all toward school aid. And that's where the TEEOSA school funding that we have today. So we have to do something on the spending side. It's not enough just to do something on the revenue side. We have to get control of spending, especially as more and more of the state picks up, whether it's from the schools or the community colleges, wherever. If we're picking up the expenses, we have to have some way to hold down the spending. And lids don't do it. Lids are no good if your valuations are going up 10 percent a year. They do no good. So I will take any questions.

**FRIESEN:** Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Friesen. Senator Linehan, I understand what you're saying here. Property taxes are too high. But all we're doing with this bill is acknowledging that there's going to be a tax increase. We still give them the ability to do it. And so are we really just putting in more work when, when it's really the public's

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duty to understand what they're paying for? I don't believe for a minute that people are trying to deceive the public. I think the public's apathetic towards what's going on. So if, if, if the goal here is to reduce property taxes, this really doesn't do that, does it? Other than force people to say we're, we are going to have a tax increase?

**LINEHAN:** I think forcing people to say they're going to vote for a tax increase is a pretty good break.

**KOLTERMAN:** But it doesn't reduce the taxes.

**LINEHAN:** No, but it does mean-- when you tell people that there's a budget hearing, they do not hear: We're going to increase your taxes. If people are informed that we're going to have a hearing or a public meeting regarding raising your taxes, there will be a lot more attention than to a budget hearing. I'm not saying people are deceptive but it's less than clear. People understand their property taxes and writing out a check. They don't understand that's directly-- now I'm saying, now they sit down and studied, if they weren't raising their kids and trying to make sure that they're good citizens and being good parents and working eight hours, 40 hours a week, or many, many Nebraskans working two, two jobs, they might have time to sit around and figure out how this works. But that's really our jobs. To take care of them in a way that, to make it simple. This is, nothing about these processes are simple.

**KOLTERMAN:** But, but again, the point that I'm making is this does not have anything to do with lowering property taxes.

**LINEHAN:** It gives them the ability, if they so desire. Any taxing entity can still raise revenue, raise property taxes, but they have to vote to do so.

**KOLTERMAN:** And acknowledge it.

**LINEHAN:** And acknowledge it.

**FRIESEN:** Thank you, Senator Kolterman. Senator Groene.

**KOLTERMAN:** Thank you.

**GROENE:** Senator Linehan, isn't this more of a transparency issue? You talk to any county commissioner and they probably-- they're the best manage, far as I'm concerned, about their tax rate because they get

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blamed for the whole tax statement. And here people go to the county commissioner's meeting and blame the county commissioners for that 2.5 mills when the county's only 30 cents. But and I try to convince people to go to the school. But wouldn't this just be a better transparency to the taxpayer to wait a second, they have a levy too. It isn't just the 2.4 that I get from the county. That city was part of it, that NRD was part of it, and those-- and that's where I see the advantage of this. It's transparency.

**LINEHAN:** It's absolutely about transparency and about who, where your money goes. Yes, it is about being transparent about what's going on in the process. Thank you.

**FRIESEN:** Thank you, Senator Groene. Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you, Senator Linehan. I just want to clarify, make sure I understand. The purpose of the bill, though, is to force a reduction in the levy if there is an increase in valuation. Isn't that true?

**LINEHAN:** Right. So it's just not an auto--

**CRAWFORD:** Senator Kolterman was saying there's no reduction in property taxes, but it is the case that the state is pushing down your levy if you have an increase in valuation. Is that true?

**LINEHAN:** Right.

**CRAWFORD:** So it's not just an announcement about it, it's like your levy goes down if your valuation goes up.

**LINEHAN:** Right. Unless they vote.

**CRAWFORD:** Unless they vote to override that.

**LINEHAN:** Right.

**CRAWFORD:** Right. OK, thank you.

**LINEHAN:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? So I'm gonna, I'm gonna ask you a clarifying question, I guess. So if in some of these rural areas where land values or housing values do go down, does it automatically raise your levy so that you

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start at zero-based budget? Because you're saying you're starting by raising the same amount as you did the year before, so it also automatically gives you that increase to hold you the same as the year before. Would that be correct?

**LINEHAN:** That would be correct.

**FRIESEN:** And so if, if you're at 49 cents and your lid is at 50, valuations drop a little bit, automatically put you at 50 or 51. Is there any, is there anything we can look at--

**LINEHAN:** No, that's a, that's a legitimate concern and we should address that. And I will work with you to address that.

**FRIESEN:** I don't--

**LINEHAN:** It's not, it's not been-- I do, and we've had testifiers today, I do think ag values are going to drop. So I can see where this could-- so we'll have to address that.

**FRIESEN:** OK. Thank you. Any other questions from the committee? With that, we will close the hearing on LB103.

**LINEHAN:** Thank you. Good afternoon. We will now open the hearing on LB158, which is Senator Brewer's bill. And we welcome you, Senator Brewer.

**BREWER:** Thank you, Chairman Linehan and fellow senators of the Revenue Committee. I am Senator Tom Brewer. For the record, that's T-o-m B-r-e-w-e-r. I represent the 43rd Legislative District, which is 13 counties of western Nebraska. I'm here today to introduce LB158. It is designed to be a very basic bill. Think of it this way, it's freshman senator-proof. Which LB158 creates a four-year cap on property taxes beginning 2019. This isn't a freeze. Property taxes may go down, and it is to the address-- and to address the constitutional concerns with the provisions of the bill, the accounts can change to address issues of property values such as improvements or destruction. Aside from that, someone's property taxes cannot be more than they were in 2019 for '20, '21, '22, and '23. I introduced a very similar bill, LB576 two years ago. It is virtually identical to LB158. As a freshman senator in 2017, I did not realize how difficult the issue of property taxes were. And the reason for introducing this is the very same reason I introduced LB576. The bill is intended to be used as a last resort. In a perfect world, this Legislature will finally pass

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meaningful property tax relief this season and this bill can be put on the shelf and forgot about. Unfortunately, the past two years have taught me that passing property tax relief in this body is incredibly difficult. So having this bill introduced and move it to a vote out of committee is a sad precaution made necessary by our disappointing track record on property, property tax relief. Had the previous-- the previous chair of this committee had used a like-bill, we would have had more options last year at the end of the year to solve our property tax problem. I realize there are a number of people and groups that will testify against this bill today. Something about freezing or capping property tax causes many to be concerned. Coming into this room, I was approached by one of those who is sitting behind me but will remain nameless, although he may have testified just before Chairman Linehan. And he seemed concerned that as his first task as a new lobbyist he would have to speak against my bill and that I was a national world champion sniper. I assured him that I was a very unforgiving person and I would remember him. But, fortunately, my memory is not very good, so he'll probably be safe. Over 650 different local units of government in Nebraska are funded through property tax. None of them will ever support legislation that would do anything that may limit or restrict their ability to assess, levy, or collect property tax. I can't say that I blame them. If I was a county or school district, I wouldn't like the bill either. Their concern is justified, and I think their concern can be a force for good that can be helpful with the situation that we currently have. Being a state senator, I have to look at this through a larger lens though. You all know the sad statistics about how bad our property taxes are here in Nebraska. One of the points I'm trying to make with this bill is that the Legislature as an institution is bleeding credibility and respect. We lose the trust of the people when we say the Legislature is working on a problem while the people see very little change. A very last resort is this bill. Think of it as a life preserver. If everything else fails so that we try to do in this body to help with property tax, it is a way of preventing property taxes to rise. Now with that said, I understand, obviously there are issues that come with keeping the budget as it is. But again, this is simply an option to keep on the shelf in case all else fails. With that said, I will take any questions.

**LINEHAN:** Senator Friesen.

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**FRIESEN:** Thank you, Senator Linehan. So just clarify for me, I guess, if with ag lands in some areas dropping 4 or 5 percent, are they allowed to drop under this freeze?

**BREWER:** They are.

**FRIESEN:** They will be all--

**BREWER:** There is. Yeah, it is not a-- and it's a cap, not a freeze. That was the point I was trying to make on that. Sorry, I didn't--

**FRIESEN:** That clarifies it. Thank you.

**LINEHAN:** Senator Groene.

**GROENE:** And, and the cap is if next year with a million dollars and they dropped it to \$900,000-- I wish it was that low-- that three years later they could go back to the million.

**BREWER:** Yes.

**GROENE:** It's a credit limit.

**BREWER:** There you go.

**GROENE:** Plus growth, plus new construction.

**BREWER:** But the idea was and the problem we had last year was that we had not accounted for the fact that if the property changes in value, other words you build on existing ground or you destroy an existing facility, that it wasn't able to change. And that was what we had changed between the last two years ago and now.

**GROENE:** It's per taxing entity, right?

**BREWER:** Correct.

**GROENE:** Not the total amount. Adds up to the total amount. Thank you.

**LINEHAN:** Senator McCollister.

**McCOLLISTER:** Senator Brewer, a change of ownership wouldn't change the status of that property.

**BREWER:** No, it would, it would simply be what that value was in 2019.

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**LINEHAN:** Other questions? Will you be here for closing?

**BREWER:** I will check. If Government is done, yes, I will be.

**LINEHAN:** OK. Thank you. Proponents for LB158?

**COBY MACH:** Good afternoon, Chairman Linehan, members of the Revenue Committee. Coby Mach, C-o-b-y M-a-c-h. On behalf of the Lincoln Independent Business Association we are supporting LB158. Limiting the growth in assessed value of real property to the cost of improvements made to property over the previous year will provide much-needed property tax relief for Nebraskans. The freeze would last for four years, give Nebraskans some assurance on what to expect from their property tax bill over that time frame. Property tax reevaluations are a major concern across the state, certainly for Lincoln residents right now. Let's start with the last four quarters. The Federal Reserve Bank says Lincoln home prices have increased at their fastest rate since 1994 and risen an average rate of 8.4 percent over the last four quarters. In fact, home values are rising so quickly in Lincoln our county assessor has to do reevaluations now every two years, instead of the normal three years, to keep up with the growth. Preliminary values set this month for the two year reevaluation of Lincoln residential property is showing values increasing on average by 15 percent. We would ask that you would support LB158. I'll keep my brief-- my comments brief and thank you if you would support this. I would answer any questions.

**LINEHAN:** Any questions from the committee? Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. Mr. Mach, would you understand why me, as an ag producer, would be opposed to this bill.

**COBY MACH:** Explain to me.

**FRIESEN:** With housing valuations now skyrocketing and land prices falling, the impact on TEEOSA is finally going to get some state aid out to my areas. It has a direct impact. And so as these housing values skyrocket, some of that TEEOSA aid that has been lost in the rural areas will now be headed back. And my land values are dropping, and so that will have a direct correlation in state aid to schools.

**COBY MACH:** Senator, the, the TEEOSA formula is something that I think folks have fought over for many, many years. Is it fair? Is it not fair? Is it serving school districts that are growing, school

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districts that are remaining stagnant or losing students? I think that probably most would recognize that you need to have some sort of formula. Finding one that works is very, very difficult. What we're facing, what you're facing, I understand. And I respect that, and I understand why you would be hearing from your constituents regarding that. What we're facing here in Lincoln, understandably is also a livelihood when it comes to commercial property. These business owners, that is their livelihood, it is their inheritance. It's what they're going to pass down, just like the farmer is going to do as well. You know, unfortunately, here in Lincoln we've seen some really crazy things. We had our, our mayor sue our city council to force a property tax increase. Went to court and a judge ordered that they had to vote to raise the levy rate here in Lincoln. For us, we see this a four-year freeze while, while we try to perhaps solve and work out bigger issues or bigger ways to solve the property tax problem-- other ways to solve the property tax problem. I know a year or so ago, and I'll wrap up, I think Colonel Brewer, Senator Brewer's thought here was let's, let's put this freeze in place for four years. And that forces us maybe to figure out the bigger problem.

**FRIESEN:** Yeah, I would have been totally supportive 10 years ago too. I mean, I, I get where it's going and I think it does draw attention to things for a change because people would realize just what's happening in the property tax realm for all small businesses.

**COBY MACH:** Thank you for explaining that.

**FRIESEN:** Thank you.

**LINEHAN:** Senator Groene.

**GROENE:** To explain the TEEOSA thing, I think this works in favor of TEEOSA. Because the TEEOSA wouldn't change, they would still have to use total valuation at a dollar. And the state aid will go down for Lincoln, LPS because of the valuations. But they wouldn't be able to collect as much of that dollar. It would, they would collect less because there's two different interplay in here. The TEEOSA formula still uses valuations. You didn't cap valuations. And it still goes in at a dollar. And as for the small town, it would still be the valuation. And if the valuations went up at a dollar and they got some state aid, they would still get the state aid, but the look local school district would be capped at what they raised last year. I actually think they play together.

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**COBY MACH:** Well, Senator, I know you have, you have spent this last interim studying--

**GROENE:** I don't know if I made any sense there.

**COBY MACH:** --the TEEOSA formula. No. If you're saying that it works, then just one more reason to move this bill out to the floor.

**GROENE:** Well, if I was LPS or an equalized district growing, I would, I would be on opposition side of this. But I like it. It forces some accountability.

**COBY MACH:** Good.

**LINEHAN:** Any other questions? I have one. How many people in this, I know it's probably not a fair question so you can refuse to answer it. But this is really complicated stuff. So do you think, even just the example that came up today, the property tax credit refund, how many people do you think really understand how that works?

**COBY MACH:** They don't.

**LINEHAN:** Thank you.

**COBY MACH:** Well, no it's-- listen. It's, it's all very difficult. But this bill I think is very simple and easy to understand. And that is that what you're going to pay in property taxes will remain at the 2019 rate for the next four years. And I think that the people would see that as a win.

**LINEHAN:** Or it could go down.

**COBY MACH:** Or it could go down. Correct.

**LINEHAN:** OK, any other questions? Yes, Senator Groene.

**GROENE:** It's not the rate, it's the amount you pay?

**COBY MACH:** The amount you pay.

**LINEHAN:** Other question, excuse me. Other questions? All right, thank you very much, sir.

**COBY MACH:** No, thank you.

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**LINEHAN:** Other proponents?

**BRUCE RIEKER:** Good afternoon, Chairman Linehan, members of the committee. My name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r. I'm the vice president of government relations for the Farm Bureau. I'm here testifying in support of LB158 on behalf of seven agricultural organizations. That being the Nebraska Cattlemen; Nebraska Corn Growers; Nebraska Farm Bureau; pork producers, Nebraska Pork Producers; Nebraska Soybean growers; Nebraska State Dairy Association; and the Nebraska Wheat Growers Association. Once again, similar to my testimony on a previous bill, we represent tens of thousands of Nebraska ag producers. And we believe that the Legislature must act now to bring a balance to the tax system and in our overreliance on property taxes to fund education and other government services. One of the that-- well, I'll continue with the testimony and then make a couple of comments. While LB158 does not in and of itself meet all of the reform criteria that we would be seeking in tax reform, the bill does benefit all property owners, something that's very important to all of us, including agriculture, residential, commercial, and industrial, and would force various entities, including our elected leaders, to work together to find a solution. As I was reading the fiscal note, I found it very interesting that this would cause an increase TEEOSA of \$34.4 million. That's important to us because that forces you the Legislature to fund part of the state's obligation that has continually been shifted to property owners very well over the last decade. That doesn't say that TEEOSA would be cut, it says that that's what in a small way you with the Legislature would have to come up with to, to fix that particular part of the problem. For those of us representing people that conservatively have seen 150 to 200 percent increases in their property taxes over the last decade, some examples get to 400 and 500 hundred percent and even more. Yes, the best time to have planted this tree would have been 10 years ago. However, we still think it's very important to protecting or keeping property taxes from going and getting, skyrocketing again. As I said in earlier testimony, Nebraska's ag producers pay the highest property taxes in the state-- or, I mean, in the country; and homeowners and businesses continue to pay the seventh-highest. Continued legislative apathy will put people out of business and people out of their homes. And so we are here supporting this particular bill because small steps move us in the right direction. It may be, the components of this, may be part of a more comprehensive bill that you, the Revenue Committee,

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may put together. We're putting high hopes in you that you can do that. But that's our message related to this bill.

**LINEHAN:** Thank you. Questions for Mr. Rieker? Yes, Senator Groene [SIC].

**FRIESEN:** Thank you, Senator Linehan. So when you, when you say the impact of TEEOSA, and I'm looking at the fiscal note here, currently where would that state aid end up going?

**BRUCE RIEKER:** We have not-- Senator, that's an area where I would have to ask Jay Rippe, our senior economist, to help us evaluate exactly where that, that would, where those benefits would go with that-- additional state aid. I don't have the answer at this time.

**FRIESEN:** OK, thank you.

**LINEHAN:** Anybody else, questions? Other senators? Thank you very much.

**BRUCE RIEKER:** You're welcome. Thank you.

**LINEHAN:** Any more proponents? Any opponents?

**CONNIE KNOCHE:** Good afternoon, Senator Linehan, members of the committee. My name is Connie Knoche, K-n-o-c-h-e, I'm the education policy Director with OpenSky Policy Institute. And we're very sympathetic about the increased taxes being paid by property owners but, based on our analysis, we don't believe that LB158 is an expect-- an effective way to address this issue. And we'd like to raise a few points for your consideration. To begin with, in urban areas, where valuations are currently growing, LB50, LB158 will keep the resources in the TEEOSA formula because it's based on the valuation. It will keep that artificially reduced because, as residential values are going up, those resources will stay the same and the formula needs would actually increase. And what happens with the needs is in urban areas, like in Lincoln or maybe in Omaha, where they have increasing students coming into the district, the state aid would generate more formula needs for them and their resources would be kept lower. So then that increase, increases state aid. So it would likely go to the districts that are already receiving state aid. And it's because they have increasing needs for the district. So if you're in an area where you have property that's decreasing in value, ag land values are going down, LB58, LB158 keeps said value where it's at, at this higher rate. So then they wouldn't be able to qualify for equalization aid because

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you're artificially keeping their resources higher than what they would be if the market adjusted. So if you're concerned about the property taxes on ag land, that we'd likely have the opposite impact because of what's happening with the ag land values at the current time. So I've handed out an example for you to look at of what happens for a school district in particular. The one I used was Superior, and that's one that has both ag land and residential property. So in Nuckolls County, their ag land value went down by 8.64 percent and their residential values went up by 4.27 percent. So in this analysis, with the school property taxes that are paid without LB159-- or LB158, the ag land lower value would be what you pay taxes on and you would pay taxes on the higher value in the residential property. But the reverse would actually happen under this proposal because you're going to keep the ag land artificially high and the residential value would be less. And then a, another example is in Elkhorn. They are a growing district and their, their valuations do increase pretty significantly every year, I would say. And, you know, they would be paying taxes at a lower rate but then the needs in the formula may go up because they have more students more needs coming in. So then state aid is increased and their taxes are reflective of what they would actually be, what their property is valued at. So another concern that we have is that with the rise in property taxes it's being blamed on local government spending, such as cities, counties, and school districts, when in fact local spending has been flat or relatively flat as a share of the economy. And the reductions in state aid to local governments have resulted in more reliance on property tax to pay for these services. Another thing I would like to bring up is there are some rural areas that are below the maximum levies. So if they had value that was going down, ag land value, they wouldn't be getting as much from property revenue, but they have the capacity to increase their levy to make, make up for that. Where in urban areas you may be at your maximum levy and you can't do anything to, to generate more money, you know? And if the values are going up, you can't access that. So that is just something I'd like to point out, and I'd be happy to answer any questions you have.

**LINEHAN:** Does anybody have-- any senators, questions? You said something about flat. It was like about three paragraphs before you wrapped up.

**CONNIE KNOCHE:** That their spending has been relatively flat. And I know you testified or you had mentioned earlier that with inflation

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they're going up like 3 percent when it, when the cost of living is actually, you know. So I think that's a point to, to look into.

**LINEHAN:** So what do you think flat is? I guess that's what, I mean, what's the definition of flat?

**CONNIE KNOCHE:** Flat to me is, you know, you're, you're keeping your salaries down, you're doing all of that, but then gas prices go up and you have to pay more for fuel. Or, you know, it's relatively flat because you're maintaining your costs that you control but not the ones that you don't have control over.

**LINEHAN:** But salaries haven't been flat. You're seeing salaries at public-- and I'm not saying they're too much or not enough or whatever, but they've not been flat.

**CONNIE KNOCHE:** I would have to look into that. But, yeah.

**LINEHAN:** OK, all right. Yes, Senator Groene.

**GROENE:** Thank you. You say here that for a growing equalized district the effect of LB158 will be an increase in state aid. I don't see that because this is a cap on an individual property, not on the total amount the school gets. So if a new house come and is built in and Elkhorn, it goes right into the \$1.05 at its new valuation because it had no valuation prior to that.

**CONNIE KNOCHE:** But value--

**GROENE:** So the growth will add, not, not reduce.

**CONNIE KNOCHE:** But value can change without any improvements being made or without sale of property or anything else.

**GROENE:** That's valuation. But the growth, but you say so for a growing equalized district--

**CONNIE KNOCHE:** Yeah, they have students.

**GROENE:** That new construction will come in at the new valuation times the \$1.05.

**CONNIE KNOCHE:** Right, I was meaning growing in needs because they have more students coming into the district with more needs. So their needs in the formula--

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**GROENE:** That will coincide with a new house too.

**CONNIE KNOCHE:** Possibly, yeah.

**GROENE:** An apartment building.

**CONNIE KNOCHE:** Right.

**GROENE:** That growth as a growth is allowed by this legislation.

**CONNIE KNOCHE:** Yes, it is.

**GROENE:** Thank you.

**CONNIE KNOCHE:** But like Senator Friesen's property may change just the way it is without him adding anything to it or taking anything away. It's just changing because of the market.

**LINEHAN:** Other questions. Oh, I'm sorry. Senator McCollister.

**McCOLLISTER:** Thank you for your testimony. We talked about the fact that in Douglas County perhaps some of, some of the rates or some of the values for properties are kind of on the low side. Even Steve Curtiss from the city of Omaha would, would give that situation. Assuming those values are low, and maybe they're ordered by TERC to, to raise those levels, how would that impact this bill and perhaps the one that we heard before?

**CONNIE KNOCHE:** The way it is right now, it's on assessed valuation. That's what's capped or frozen. So like I said, you could not-- you could have a property that you haven't done anything to but the valuation will increase just because maybe it was undervalued to begin with. But you couldn't access it in this case if you froze the assessed value of that property.

**McCOLLISTER:** Thank you.

**LINEHAN:** Other questions? Thank you very much for being here.

**STEVE CURTISS:** Hello, senators. Steve Curtiss, the finance director for the city of Omaha. Curtiss is C-u-r-t-i-s-s. I'm glad I'm not speaking in opposition to another bill from Senator Linehan. And I'm not the lobbyist that was mentioned by Senator Brewer but I did apologize to him earlier today, just to be safe. I won't belabor the stuff that we talked about earlier, about the transparency that we

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feel like we have in our city budget process and the fact that we engage our citizens and we believe they know our revenue and our expense situation. We did talk about the fact that we decreased our levy at least twice in the last few years. Again, our revenue has gone up though, and I readily admit that. Freezing our valuation for four years would be devastating to the city. And here's an example. In our case for annexations, our annexations in 2018 resulted in a 3 percent increase to our budget. That's just taking the annexated [SIC] areas' budgets for debt service and street cleaning and all the things that they provide. So if we added that to our budget, plus our normal inflationary increase, which Senator Linehan pointed out 3 percent may be a little generous. But in this example, if it went up another 3 percent, our budget would need to go up to about \$12 million just to cover those two things. If that \$12 million was denied to us because of this limitation on the prior year, that would equate to about 120 police officers or 120 firefighters or probably 150 civilians, because remember most of our budget is people and the combined sewer separation project. So we'd also reminded you that the Governor's statements had suggested 3.1 percent was the acceptable growth rate for the state. And I realize you all have a lot of work to do on the state budget too, but that's the number that was least initially thrown out. The city of Omaha is required also to provide free trash service, as you may know. We're the only city in the state that is. We've been warned that our new coming contract could be another \$10 or \$15 million in addition to what we currently pay. And if that were the case, we would be limited on that as well. And that would be another 150 police officers or firefighters or whatever we would have to do to do that. We did talk about, and I won't belabor this either, the fact that Douglas County seems to go or has historically gone in six-year cycles and left properties untouched for long periods of time. We did mention that the current assessor seems to be attempting to address that but it's not a very popular move. I do wonder if this bill doesn't run crop-- contrary to Article VIII, Section 1 of the State Constitution that talks about uniform and proportionate clause of the constitution. And I wonder if this wouldn't run afoul of that. And with that, I'd be happy to answer any questions.

**LINEHAN:** Questions from the committee. I have one if nobody else. OK, your budget increased 3 percent because of annexation. But how much did your revenues increase, because then you get the property tax from those homes.

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**STEVE CURTISS:** It's true, the revenue and the expenses that come from annexation are considered to be neutral, meaning we take on the exact-- we configure our packages. So if we took on \$10 or \$12 million of additional revenue, we take on \$10 or \$12 million of additional expense from those annexed areas. So our budget packages are always neutral to our city budget.

**LINEHAN:** Well, that seems odd because if you take in-- if I understand annexation correctly, you take in SIDs once the debt is paid down.

**STEVE CURTISS:** They primarily have still--

**LINEHAN:** Or at least--

**STEVE CURTISS:** They still have a lot of debt. Remember our package is--

**LINEHAN:** What's the advantage of taking people in if it doesn't raise your revenues?

**STEVE CURTISS:** The areas of the edge of the city become very jagged. We get concerned about provision of services because Douglas County sheriffs don't know for sure is that in the city, is that out of the city? And we attempt to smooth out the edges of our city and take in islands that are areas inside the city that got passed over for some reason. So even if they're not economically feasible, we'll take on areas inside of the city just to eliminate an island inside the city because of those service issues. So our packages, if you look at our package, they are always neutral. We take on the exact same amount of expense. And one of the ways that we'll do that is we'll find a few SIDs that are very profitable, and so we'll take that and we'll use that to our advantage to go out and find other SIDs that aren't probably ever going to be profitable but need to be part of the city because they're an island or they're in some isolated area. And we'll bring them into the city and that's why the package balances out.

**LINEHAN:** OK. Thank you for being here. Any other questions? Senator Friesen.

**FRIESEN:** I'd just give you one comment. And, you know, I know everybody loves to come in and say that they would have to cut police officers or something. But, you know, if you would use a comparison of cutting a park employee or something like that, it would make me feel a little bit more--

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**STEVE CURTISS:** I meant to say parks-- what I meant to say civilians, police, or fire. Yeah, it was a little dramatic, more dramatic with fire or police.

**GROENE:** Thank you.

**LINEHAN:** Yes, Senator Groene.

**GROENE:** So you take on the debt too.

**STEVE CURTISS:** Yes.

**GROENE:** You do if they have a bond?

**STEVE CURTISS:** And they all do. I don't know we've ever taken on one that was fully paid off.

**GROENE:** But part of your growth problems is the TIF you guys do. You're really going after it strong lately so.

**STEVE CURTISS:** I might beg to differ of that. I think that is one of the reasons why our savings is in as good a shape as it is in. I don't know that we're complaining that we have any issues.

**GROENE:** What's that?

**STEVE CURTISS:** Well, we haven't come to you to say that we're having any grand issue with anything. We try to live within our means. And the TIFs that come up, we're in a good enough cycle now that we've been doing TIFs long enough that we have enough coming off that offset what goes on.

**GROENE:** That's a zero-sum game. Your 15-year-old infrastructure that all of a sudden now the tax dollars--

**STEVE CURTISS:** Come onto the rolls, yes. I think we usually have a couple hundred million comes onto the rolls each year from prior TIFs.

**LINEHAN:** Any other questions? OK, thank you very much.

**STEVE CURTISS:** Thank you.

**LINEHAN:** Hi.

**JON CANNON:** Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. Thank you for letting me be here. My name is

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Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association of County Officials and I'm here in opposition to LB158. I won't belabor the point that LB158 is essentially a freeze on property tax values for a four-year period. The plain language of the bill says the assessed value in January 1, 2019, is the assessed value of January 1, 2020. You can add in any growth, any additional improvements. You can subtract any damages you have to those improvements. 2021, same story; 2022, same story; and 2023. It's a freeze, there's, there's no doubt about it. It's not a cap. Mr. Curtiss expressed pretty eloquently exactly how that erodes the tax base, and we're fundamentally opposed to any erosion of the tax base. Senator Friesen, I know that you would rather I said something about the parks but, you know, Senator Linehan, going back to what you were saying earlier about just even nominal inflation, if you freeze values and the levy isn't raised, as some people would prefer, that means 1.7 percent fewer firefighters, 1.7 percent fewer police officers, 1.7 percent fewer funds that are going to be diverted into the roads. That's probably the most dramatic explanation I can have as to how that erodes the tax base. And that's just for one year. You stretch that out over a four-year period, that actually starts adding up to actual firefighters; actual police officers; roads not getting, you know, paved over; bridges not getting built. Second question, second issue that we have, is we're not sure how equalization works during those four years. As Mr. Curtiss had mentioned, Article VIII, Section 1 of the Nebraska Constitution provides the taxes shall be levied by valuation uniformly proportionately upon all your real property. We have a subsection that talks about ag land, how ag land doesn't have to be uniform and proportionate with commercial and residential real property. But it has to be uniform and proportionate within the class of ag land. What happens then when you have a freeze on values is, as a for instance, Senator Friesen, I don't know what kind of ground you have but if you've got irrigated crop ground and it's valued at say \$10,000 an acre and corn goes down, it goes down below \$3 an, \$3 a bushel, the value of your property is going to go down. You're still only going to get \$10,000 an acre. I'm making up numbers, I'm not quite sure what your assessor has you at out there in Hamilton. Your neighbor, on the other hand, he might be in grass and grass might be experiencing a boom. And he goes up to, let's say, \$6,000 an acre because that's where grass is at. Now, it's not a comparison between \$6,000 on for your neighbor and \$12,000 or \$10,000 for you, Senator, what the comparison is going to be is your, your relative proportion of market value. And so if all of a sudden you are at 50 percent of market value and your neighbor is at 120 percent of market value but

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you're still being held at 75 percent, you're going to end up paying more of your fair share, more than your fair share in property tax. Same thing with residential. If I have my, my property, not necessarily putting up a new house, but if I don't take care of the property or my neighbor doesn't take care of the property and the value of that house goes down-- and I do take care. I take pride in my house and the value of my house goes up, I actually win because proportionally I'm going to be paying less than my fair share of the property tax because we have this freeze in place. And again, the fundamental rule in our state is that we value property. We tax property by valuation uniformly and proportionately. You know, again, I think it's already been covered. When you have a declining ag market, you're essentially going to freeze someone's values at the value that it's at today, you know? And when you go down 3 or 4 percent per year, that's going to add up over a four-year period. The other thing I'd like to mention is special value. If you've got property that's on the outside of say Omaha or Lincoln or any other city and it's at, it's ag land. That's valued today because they apply for special value, it's valued today at say \$4,000 an acre. And all of a sudden they sell out that quarter section of ground or they sell that section of ground and they're going to use that for development for a subdivision. That, the nominal value of that ground is going to be whatever it's going to, to sell for as residential property. And all of a sudden you're artificially holding down that value. I'll tell you what, if I'm the neighbor of that subdivision, I'm going to be a little irritated that all of a sudden those people in that subdivision on a per-acre basis they're gonna be paying less for their ground. Now they're going to pay the added taxes on the house, Senator Groene, to answer your point; but the land component is going to be held down artificially. I'm almost out of time. I would urge you to not advance LB158. And with that, I would be happy to answer any questions you might have.

**LINEHAN:** Questions from the committee? Senator Groene.

**GROENE:** Keep you here all night. But I stand corrected, this is a freeze on valuations.

**JON CANNON:** Yes, sir.

**GROENE:** But if you're not at your cap, you can raise your levy.

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**JON CANNON:** You can raise your levy, that's, that's absolutely correct. So what you're gonna have--

**GROENE:** Omaha could, a county could.

**JON CANNON:** Sure. And so--

**GROENE:** And getting more revenue, which I was hoping it was a cap on what-- froze what the taxpayer paid on this land the year before.

**JON CANNON:** Yep, you're absolutely correct, Senator.

**GROENE:** But as to your statement about 1.7 less firemen, how about, instead of a 3 percent raise, how about a 1.3 percent raise?

**JON CANNON:** What you will experience in my observation, Senator, is what you'll experience is there are going to be firefighters and policemen that are going to probably look at what the market has to offer them elsewhere. And that is going to erode your pop-- your employee base.

**GROENE:** But it's not going-- it doesn't have to be a cut. There are management tools besides laying people off.

**JON CANNON:** That's certainly possible but it is going to affect your employment base.

**GROENE:** Assumption.

**JON CANNON:** That's correct, Senator.

**GROENE:** Because everybody's in the same boat in the state of Nebraska. They could leave the state maybe. Thank you.

**JON CANNON:** Yes, sir.

**LINEHAN:** Senator McCollister.

**McCOLLISTER:** Thank you. Thank you, Madam Chair. I'd just point out that governmental units are subject to the state CIR stipulations. And so, you know, if you end up with a dispute, end up with comparables that are higher in other states or other areas, it's conceivable those salaries would, would exceed that 3 percent discussion when they're 1.2 and 1.5. So. That would, that would also be a factor for us to think about.

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**JON CANNON:** I agree, Senator. Thank you.

**LINEHAN:** Other questions from the committee? Thank you.

**JON CANNON:** Thank you, Senator. Thank you.

**ROB WINTER:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Rob Winter, R-o-b W-i-n-t-e-r, I serve as the executive director for the Greater Nebraska Schools Association. Today, like Mr. McGowan said earlier, I'm here on behalf of not only the Greater Nebraska Schools Association but also the Nebraska Council of School Administrators, the Nebraska State Education Association, the Nebraska Association of School Boards, Educational Service Unit Coordinating Council, Nebraska Rural Community Association, and schools taking action for Nebraska Children's Education. In other words, the alphabet of the Educational Agencies. Collectively we stand in opposition to LB158. We understand the intent and commend Senator Brewer for bringing it. But if you will allow me, I will just take a couple of minutes and outline a couple of concerns. Holding assessed valuation as real property flat beginning in 2019 and continuing to, through 2023 will create certain hardships for schools across the state. As we've already heard earlier, you're well aware that we have no control over our fixed costs: fuel, electrical rates, insurance premiums, to name just a few. And as Senator, as Senator McCollister just pointed out, the Commission of Industrial Relations plays a pivotal role in determining the array the wages and conditions of employment for Nebraska's Public Schools given the fact that salaries comprise a significant component of any school district's budget. How we see LB158 impacting schools, if you are a nonequalized school district and up against the \$1.50 limit, levy limit, you could indeed realize some property tax reduction if that's frozen. But as Senator Groene just pointed out, if on the other hand you're nonequalized district but you have budget authority, if that freeze-- and you still have room within your, your budget to increase your tax asking-- that could negate any property tax reduction. For equalized school district, the formula-- and you all know it, needs minus resources equals state aid. Holding assessed valuation flat for districts would reduce in the second, third, and fourth year and would be reduced. And I feel, based on the increased numbers that qualify for free and reduced; the mono, monolingual students that are now entering our schools; increased special education, typically those are increased costs for school districts as well as, as some of the others I've just mentioned. Typically valuation does grow. That percentage changes from

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district to district and year to year. But nevertheless the equalized districts would, would experience an annual increase in-- would decrease in resources under LB158 and that would result in under the formula an increased demand placed on state aid. We have some questions that we don't expect answers for, but what would happen in the fifth year of the bill? Would there be an immediate attempt to catch up following the period of growth for assessed valuation? Could that reduce or could that result in an increase in tax asking for Nebraskan citizenry? So in conclusion, the organizations listed above we all support and achieve balanced tax structure with sales, income, and property all sharing equally in their responsibility of funding the state's budget. But that having been said, we do not believe LB158 accomplishes this goal. So that is my testimony. You heard Connie Knoche share some of those same concerns. So thank you for the opportunity, and I would try to answer any questions you might have.

**LINEHAN:** Senator Groene.

**GROENE:** I keep hearing the CIR. When was the last time a school district union took an issue to the CIR?

**ROB WINTER:** Senator, I'm not sure I have the answer to that. I honestly don't know.

**GROENE:** Been six or seven years, I think. I don't think a lot of superintendents are very good labor negotiators lately.

**ROB WINTER:** In my five years as a superintendent in Grand Island, we never went, sir.

**GROENE:** Thank you.

**LINEHAN:** Other questions? OK. So STANCE is the big schools, right? Not STANCE, Greater Nebraska Schools.

**ROB WINTER:** Yes, ma'am.

**LINEHAN:** So it's Millard and Omaha and Lincoln. So what percentage of your budgets are salary?

**ROB WINTER:** Of the larger, just in general? I would, I don't know that exactly, Senator, but I would surmise that it's going to be in excess of between 70 and 80 percent. Might be a low number.

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**LINEHAN:** Well, I've looked at the charts, unless that Department of Education is wrong, and usually has it more like 65 to 70 percent. So.

**ROB WINTER:** And, well, I'll be quiet.

**LINEHAN:** No, go ahead.

**ROB WINTER:** And I don't know what they, who they include in that. If that's all school employees or if it's with employees with the ESUs.

**LINEHAN:** No, it's each school district. They, they break it out. They break it out by each school district and the ESUs have their own. So, so I understand we need to pay teachers and there's nobody more important in the room than the teacher with the children. But so if you take what we spend on public education in Nebraska, all in, not just big schools.

**ROB WINTER:** Right.

**LINEHAN:** Very close to \$4 billion. So let's say it's 75 percent of that \$4 billion is for salaries. That still leaves a lot of money. So you think if we slow down the growth it would have to-- it wouldn't necessarily have to affect teacher salaries, would it?

**ROB WINTER:** Not necessarily. But there are some, you know, discretionary funds within a school budget. And I'm speaking only from my experience, Senator, so I can't speak for the other school districts, usually between 8 and 10 percent. By the time you deal with your fixed costs and your salaries. So that's, that would create some, some challenges with that, with that 10 percent.

**LINEHAN:** So what's 10 percent of \$4 billion? It's \$400 million, right? I would think there's quite a bit of wiggle room in \$400 million.

**ROB WINTER:** Sounds like an awfully big number. Yes, ma'am.

**LINEHAN:** Yeah. On that free and reduced lunch, I think I'm reading this, this is based on increased numbers of free and reduced lunch. So you just, you think that just goes on and on forever increasing?

**ROB WINTER:** It has been that my experience in the last seven years that I've been in the state, that that numbers--

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**LINEHAN:** Because it's about 50 percent right now, right? Across the state.

**ROB WINTER:** Across the state. And then there are obviously those pockets that are in upwards of 70 and 80 percent. And you know those.

**LINEHAN:** But that is addressed in the TEEOSA formula?

**ROB WINTER:** Correct.

**LINEHAN:** Rather significant increase if they get above 30 percent, right?

**ROB WINTER:** Correct.

**LINEHAN:** Do you know how much they get for each student above 30 percent in formula needs?

**ROB WINTER:** I don't right off the top of my head. I can get that for you, Senator, because of that-- I just.

**LINEHAN:** I actually do know.

**ROB WINTER:** OK, well then.

**LINEHAN:** But I just wondered if we could get it on the record. I think it's about \$5,000.

**ROB WINTER:** OK.

**LINEHAN:** OK, any other questions? OK. Thank you very much.

**ROB WINTER:** Thank you.

**LINEHAN:** Other opponents? Neutral?

**NICOLE FOX:** Members of the Revenue Committee, I'm here to testify on LB158 in the neutral capacity. I'm Nicole Fox, N-i-c-o-l-e F-o-x, and I represent the Platte Institute. As we've probably stated before, Nebraska currently has the highest seventh, seventh-highest property tax in the nation and is in need of property tax reform that addresses the underlying problem of a local tax system that imposes too great of a burden on the state's economic growth. LB158 proposes a cap on existing property valuations for a period of four years. This will keep the amount of property taxes paid constant for that time frame, which is a welcome relief for many of the property taxpayers across

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Nebraska. Calls to Platte from individuals whose bills fluctuate-- calls have come into Platte, I should say, from people whose tax bills fluctuate as much as \$40,000 in one year. Having four years of certainty will be a form of relief for these taxpayers. The reason for our neutral testimony is because while LB158 offers a temporary valuation stability, it will not last in long-lasting property tax reform. And we feel like this is a good measure, we understand and have had conversations with Senator Brewer about the goal of essentially holding the Legislature's feet to the fire to get something done. So we know that this is essentially a bill that will buy time to do that while the Legislature debates the several bills before it. Due to the state's quickly increasing valuations though, and as Senator Groene pointed out, levy, levies could still be increased. One concern we do have is that taxpayers could expect to see a significant property tax bill increase after the four years has expired. So while we would hope the Legislature would come to some agreement on a property tax reform bill plan during this four-year cap, that is not guaranteed. And of course we hope that taxpayers don't experience what I would call this double-whammy. But with that, I'd like to conclude my testimony and thank, thank the committee for their time. And I'm happy to entertain any questions.

**LINEHAN:** Do we have any questions from the committee? OK, thank you very much. We have letters for the record-- is there any other, excuse me, neutral? Testifying in neutral? We have letters for the record. Proponents: none. Opponents: Douglas Kindig, United Cities of Sarpy County; Michael Dulaney, NCSA; Kyle McGowan, NCSA; Brandon Kauffmann, city of Lincoln. Neutral: none. And with that-- oh, I'm sorry. There you are. Closing.

**BREWER:** Thank you, Madam Chairman. All right, what you're being handed out right now I was gonna hand out in the beginning. But I thought that maybe the facts would not be quite as twisted as they were through the discussion. So just so that you have it in black and white in front of you and there are no gray areas with this, it is not a freeze. The valuations can go down, they just cannot exceed the valuation in 2019. It addresses uniformity and proportion, allows the changes in value based upon improvements or destruction of the property. And keep in mind the idea is that we have this on the shelf and then if we need it, then you exec on it and use. If not, if we're able to come up with a better solution, I'm all for it. But don't let us get in the position we were in last year where we got a week to go and we have to have some backdoor meeting to try and figure out one

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bill and twist that into something that could work. If this needs to be modified in the end, then I don't have a problem that either. But we are in a position now where our credibility is on the line. We say that we're going to fix property tax, that it's a priority, and we still bang our heads in the wall. We still can't come up with a solution. This is a, this is a fixed solution. Now I admit, it is painful to a degree. But for all of those that came up here and said, oh my God, we're gonna have to, you know, tighten our belts. We're gonna have to do some painful things. I got news for you, there's a lot of people out there paying taxes that are tightening their belt and they're hurting, and nobody seems to want to come and speak for them. So that's why I did it. And with that said, I'll take questions.

**LINEHAN:** Do we have any questions for Senator Brewer. Thank you very much. So with that, close the hearing on LB-- which one was that? LB158. And open the hearing on LB183. Senator Briese, welcome.

**BRIESE:** Thank you, Senator Linehan. And good afternoon, Senator and members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e. I'm here to present today my LB183. LB183 is essentially a property tax relief bill. LB183 provides that for school district taxes levied to pay the principal and interest on bonds agricultural land should be valued at 1 percent of its actual value. I have an amendment to clarify that this applies only to bonds issued after the effective date of this act. And also consider that perhaps it should be applied only in rural areas and possibly need to consider commercial property in there. But those aren't a component of the bill yet. There are two routes we should travel on the road to property tax relief. One is to change how we pay for things, the other is to control spending. And although this bill impacts both areas, I will speak mostly today on its effect on spending. LB183 arose from a common complaint that I heard from folks in the agricultural sector within my district and across the state. That concern is the fact that those individuals in agriculture pay a disproportionate share of K-12 infrastructure relative to their non-ag peers. And this leads to two concerns. First, those in the agricultural community question the fairness of a system in which their financial support of local public education is far in excess of the financial support provided by non-ag patrons. Second, in many districts ag producers are outnumbered at the voting booth and this, this disparity in tax burdens can serve to encourage excessive investment in K-12 facilities by unnecessary bond votes. To better illustrate this second concern, let's look at some examples. In one county in my district, ag property comprises 80 percent of the

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property tax base while only 40 percent of the population live on farms or outside of the incorporated communities. In another county, ag property comprises 74 percent of the tax base while only 32 percent of the population lives on farms. Now clearly some ag producers live in incorporated communities and many non-ag folks live on acreages outside of those communities. So the numbers I've cited aren't definitive but the implication is clear. And that implication is that those in agriculture pay a disproportionately higher share of the tab and have a disproportionately lower representation at the voting booth. And you see the problem. You have a situation here which the minority the voters pay a majority of the cost, and it makes it too easy to spend money and pass bond issues. And is it too easy to pass bond issues for K-12 capital construction in Nebraska? That depends on who you ask. If we look at U.S. Census Bureau data on education spending in 2015, Nebraska ranks 15th in the country and long-term outstanding debt per pupil. At over \$8,000 per pupil, we're higher than five of the six surrounding states. So from that you might conclude that, yes, perhaps we do take on public debt for K-12 infrastructure at an excessive pace. This bill attempts to address this issue by helping to equalize the tax burden borne by patrons of a school district. Given everybody, giving everybody a little more skin in the game will encourage fact-based decisions at the voting booth. It will encourage patrons to pay close attention to bond proposals. It will incentivize all patrons of a district to weigh more carefully the need for new infrastructure. Is the 1 percent I've proposed in the bill realistic? That, that would depend on who you ask, but we can talk about other numbers too. I would vote for it twice. But as a practical matter, any reduction in the burden borne out by-- borne by our outnumbered ag producers will first help to inject a greater sense of fairness and equity into our school funding system. But more importantly, it will help to create more accountability at the voting booth. And ultimately this will help to control spending and the overall property tax burden in Nebraska. So we can talk all we want about controlling spending in the educational sector. And anytime I talk about new revenue and what we need to do about property taxes I hear the same old refrain, oh, we've got to control spending first. Got to control spending. First of all we need a tax base that helps us control spending, not a tax base that incentivizes excessive spending because of the disparity in the tax burden borne by the various segments of that tax burden. So anyway, this, this bill is an attempt to address that. Is it realistic? Yeah, if you changed it around a little bit, I think it is realistic. But I am open for questions.

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**LINEHAN:** So do we have questions from the committee? Yes, Senator McCollister.

**McCOLLISTER:** Thank you, Senator Briese. Do we have constitutional issues with this?

**BRIESE:** I don't think we do. Bill Drafters did not address any so. They did not bring any up.

**LINEHAN:** Other questions? I just have a clarification. Basically what's going on, and I've heard these stories too, you got-- it's where I grew up too. Small-- larger number of-- when we first went to property taxes for schools everybody had a quarter section, they had a house, and they had three or four kids. Now we've got, you have to have several sections. Well, at least a section if not two or three sections to make it, and many of them don't have any kids. So you have these small communities where everybody moves, and when it comes time to spend money it's like the producers feel like they've sent a credit card which they have no control over.

**BRIESE:** Yes, Senator. Sounds like you've been talking to some of the same folks I have out in my country.

**LINEHAN:** Yes. It's very similar to where I grew up. Yes, Senator Groene, I'm sorry.

**GROENE:** An idea, would you ever think of the 60/60 rule? Every bond election has to pass by 60 percent of registered voters or a 60, or--

**BRIESE:** I introduced--

**GROENE:** --60 percent of the--

**BRIESE:** I've introduced a bill.

**GROENE:** --by 60 percent?

**BRIESE:** I've introduced a bill to require 60 percent supermajority for one vote. Some other states do that. Let's see if perhaps we can fall there. Just but what, would have been a good, good bill to have addressed here today. Same arguments apply there in a lot of ways.

**GROENE:** So there, you did introduce a bill in the last--

**BRIESE:** Yes.

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**GROENE:** Thank you.

**BRIESE:** Yeah. Don't know what number it is, but--

**GROENE:** Seventy would be better.

**LINEHAN:** So it's, it's gonna be this session? I'm sorry.

**BRIESE:** Yes, yes. It should be coming this way.

**LINEHAN:** Oh.

**BRIESE:** Again, it would have been a great one, companion to this. We talk about the same issue at same time but we've got plenty of time.

**LINEHAN:** We're going to be talking about this issue all year, I think. I have this inkling. Other questions? OK, thank you. Oops. Senator McCollister.

**BRIESE:** Yes.

**McCOLLISTER:** Do you have any examples of how this would affect certain school districts to help us visualize what, how this would work?

**BRIESE:** No, we can, we can only speculate on that. And what it could do, again, it would give everybody a little more skin in the game. So if you're one of the folks now that maybe are not paying a whole lot on this, you might, might give you a little more reason to pause and you might evaluate the facts a little closer and make a more informed decision at the voting booth. But I'm thinking there's probably somebody coming behind me that may have some examples.

**McCOLLISTER:** Thank you.

**BRIESE:** Now that you mentioned it. But good thought.

**LINEHAN:** Yes.

**CRAWFORD:** Thank you, Chairman Linehan. And thank you, Senator Briese. So where did the 1 percent come from? I mean, you're talking about a disproportionate impact, but maybe a 60/40 or--

**BRIESE:** Yeah, 1, 1 percent was pulled out of thin air, so to speak. But basically trying to put the burden more so on residential property. Again, you know, we've left commercial property out of this, maybe that would be included too. But mostly trying to shift that

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burden onto residential property, which we all own and we live in, and we'd all have a more of an equal stake in what's going on here.

**CRAWFORD:** Thank you.

**LINEHAN:** Other questions? Have you had in your legislative district, because I think maybe this is something Senator Friesen has mentioned to me, where you have school districts that are shrinking in size and they're afraid or they are looking at mergers but they want to, they want to build the biggest gym or they want to build the new elementary schools so when that merger happens they come to that? Have you seen any of that in your district?

**BRIESE:** I think that occurs. I'm not here to pass judgment on that practice but I think that does occur.

**LINEHAN:** OK, thank you. OK, proponents? Excuse me, I have-- Senator Friesen, can you take over?

**FRIESEN:** Welcome.

**AL JUHNKE:** Thank you. Mr. Chair and members of the Revenue Committee, thanks for the opportunity to be before you today. My name's Al Juhnke, I'm the executive-- Al Juhnke. A-l-- as in American League-- J-u-h-n-k-e. I'm the executive director of the Nebraska Pork Producers and I just, like the previous testifiers on other bills, I'm here representing seven groups of agriculture folks including the Nebraska Cattlemen; Nebraska Corn Growers Association; Nebraska Farm Bureau; Nebraska Pork Producers Association; Nebraska Soybean Association; Nebraska State Dairy Association; and the Nebraska Wheat Growers. And I'm here on behalf of all of them in support of LB183, Senator Briese's bill to reduce the valuation of land to 1 percent for the purposes of funding school construction levies. Farmers make up 3 percent of Nebraska's population. In some school districts ag land makes up as much as 70 percent of the property tax base. That means in some school districts 3 percent of the folks are paying 70 percent of the taxes levied. Vis-a-vis our discussion this year and previous years on property taxes as they relate to agriculture. A bond issue could very easily could cost the farmer or rancher tens of thousand dollars per year, but those paying the most have the fewest number of votes. Taking ag land to 1 percent for school bonds is not unheard of. In Minnesota, for example, legislators have debated and passed, I might add, it's-- I can talk about that further if you like-- similar

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issues. It's something that's referred to as house, garage, one acre, OK? Everyone in town has a house, a garage, and a lot. Farmers where they live have a house, garage, and one acre that this bill would like to count basically as that voting entity. Just like the folks in town. OK? A lot of times we have heard about the, the pressure and the angst out there when we go for bond issues. Many times the farmers' kids and grandkids go to those schools. They want good schools and good properties. But when it comes to a bond issue, when they know that many thousands of dollars are going to be hefted on them and their personal payments because of the land they own, they end up fighting their neighbors in town. And saying, I don't want the new gym or I don't want the new elementary school or I don't want whatever facility, even though they know it's probably needed. This puts everyone on an equal footing. Some farmers own land in two or three or four different districts out there, so you can make the argument of taxation without representation on this also. So when I saw this bill introduced, I was excited. Because what it what it said to me was, Senator Briese, and I know a lot of you, I know-- I know I'm looking at a lot of people that I've seen bills and ideas introduced and they're all going to land on the table here. This is one of those bills that hopefully you've gathered together and maybe a piece of it or a part of it or an idea from it become part of that final bill that finally answers our question this year on how we reform and give property tax relief here in Nebraska. So I was excited because Senator Briese is looking outside the state lines. He's looking at other states, which I believe is great. States are the laboratories, as we all know. A lot of you go to council state governments and other things. You go there to get ideas. Senator Briese looked out there and he brought one of them in. And I'm glad he did that because now we have it on the table for discussion and hopefully to move forward. So we're going to be here, all these ag groups, over the course of this session. And we're here to answer your questions and hopefully assist you. Everyone in the state needs property tax relief. We've heard that over and over, it's not a mystery. And we all want to solve it. This doesn't give relief today, but going forward it would be a tool to help hold down and relieve those future tax burdens that are occurring on the capital investment side. Again, we're not talking about operating revenues. I will tell you in Minnesota, I'll end on this, they took all operating revenue off of ag land in Minnesota. That's already passed. And now they're working on the capital side. But in Minnesota they get about \$7,000 per student, per pupil aid. So there it's easier to do that. But as we move that way, and I know this chairman and others have talked about that. Senator Groene, you're

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talking about, about per pupil aid, a lot of people are. Perhaps that means once this is in place we'd love to see ag land go to zero on both those sides, or to 1 percent. But we'll take what we can get now, and I think it's a great starting point and a good place to start the discussion. So thank you, Mr. Chair, Madam Chair, for the opportunity to be here. Happy to answer any questions that I can.

**LINEHAN:** Thank you. Do we have any questions from the committee?  
Senator Groene.

**GROENE:** I find it hard to believe it's only 70 percent.

**AL JUHNKE:** Yeah, well.

**GROENE:** Because I have two districts that-- well, but you're not throwing in the farmer's homestead,--

**AL JUHNKE:** Right.

**GROENE:** --the grain bin site,--

**AL JUHNKE:** Right.

**GROENE:** --the cattle yard.

**AL JUHNKE:** Right, the improvements. We're talking about ag land only.

**GROENE:** But the farmer is probably 80 to 90 percent in some districts when you throw in his residence.

**AL JUHNKE:** Absolutely.

**GROENE:** Yeah.

**AL JUHNKE:** And the problem we have--

**GROENE:** Pay on that cattle yard,--

**AL JUHNKE:** Right.

**GROENE:** --grain bin site. Grain handling site. So really he, he is paying more than 70 percent of it.

**AL JUHNKE:** Right. Madam, Madam Chair, Senator Groene, one of, one of the problems we have in Nebraska-- it's not a problem but it's just the fact, is it's embedded in our constitution that all property taxes

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have to be assessed in an equal rate or at least the, the tax capacity. So it's all basically 1 percent except ag land, which is allowed to go lower. In this case, it goes to 1 percent. I suspect they drafted that because if you go to zero then you're not assessing any taxes. That may be unconstitutional. But if you keep it at 1, even just ag land from \$1 down to 1 cent, I'm guessing maybe they thought if they go to zero there'd be some questions. But other states don't have that stipulation. Again, I'm familiar with Minnesota, that's where it came from before here. In Minnesota, commercial is 2 percent. Ag homestead is half a percent. Apartments are 1.25, I believe. There is a, there's probably six or seven different rates that they set in Minnesota and that makes it a lot easier then at the end of the day to keep property taxes down because you can adjust where they are levied.

**LINEHAN:** Other questions from the committee? OK, thank you very much.

**AL JUHNKE:** Thank you, Madam Chair and members.

**MERLYN NIELSEN:** Chairman Linehan and members of the Revenue Committee, my name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n. My residence is Seward. Besides being an ag landowner, I am also a board member of Fair Nebraska, an organization that is known to you. We appreciate Senator Briese bringing this bill for enforcing the narrative on how we tax and support education. Somehow we need to align taxation more closely to benefits received. Taxes paid should be commensurate to some degree with the benefits that are received. I'm a strong supporter of education, having spent 41 years as a UNL professor and always looking for ways to stimulate learning in others. So while not wishing to harm delivery of education in any way, I do wish to affect change and how we tax to support it. Some folks have either heard me or heard or read some of my writings on property taxes. The status quo developed over decades has been to only tax what we can see. Intangible assets that we accumulate are not taxed annually, like our held property. As an ag landowner, I can understand why we would not tax intangibles for county taxes, for NRDs, for ag society, for fire districts, and so on. Again, to be commensurate with benefits my ag land does receive benefits from the county, from the NRD, and so on. But taxes-- whereas taxes holding intangibles assets would not. But education is different. Taxing ag land for education and not taxing intangible assets for education creates a highly unfair economic playing field, as well as a highly unfair decision process that's been alluded to earlier. It makes it very easy to approve a bond issue or school budget when economic representation bears little correlation to

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voting representation. I share the quote that: Life is easy when you're spending someone else's money. Further, with Nebraska represented by 245 school districts, there would be many situations where some landowners would not reside in the district where they're paying taxes and cannot participate in the votes that occur there. That situation applies to me. I do not question paying taxes on land that is located outside of the school district where I reside that goes toward benefits for the county and the NRD and so on, as I mentioned earlier. But why should I be taxed for education on my ag land where I do not even reside? I am not questioning taxing my residence, my ag buildings, my personal property for education, only my ag land. As I noted at the beginning, we appreciate Senator Briese for bringing this bill forward. Fair Nebraska's only concern is why we can't take the next logical step: take ag land valuation down to 1 percent or maybe all the way to zero for all education taxing. Thank you, again, Revenue Committee and Senator Linehan for letting me appear before you and share my support for LB183.

**LINEHAN:** Thank you. Do we have questions from the committee? I know you've worked very hard on this and tried to educate people. Do you have a number of the amount of money that ag land produces in property taxes that goes to education? All of it?

**MERLYN NIELSEN:** Seven hundred twenty one point six million this year.

**LINEHAN:** Seven hundred twenty one point six. Thank you. One other question. Do you think it would be fair, I mean, if we took ag land off, doesn't commercial property kind of fall in the same-- if, let's say you have a huge warehouse. Doesn't it kind of fall in the same thing? I mean, they probably, if they have a warehouse, they probably live and have a house and pay. So are they kind of the same?

**MERLYN NIELSEN:** The, notice I said that my ag buildings that I would, I see no problem with taxing those for education. And I would equate those buildings with commercial buildings as well.

**LINEHAN:** OK. All right, any other questions? Thank you very much for being here. Other proponents? Seeing none, any opponents? Can I see a show of hands of how many others are planning on testifying? There's some back there I can't see.

**JACK MOLES:** Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Jack Moles, J-a-c-k M-o-l-e-s, I'm the executive director for the Nebraska Rural Community Schools Association, also

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referred to as NRCSA. NRCSA is an organization of 199 member school districts, public school districts and educational service units representing the interest of over 75,000 rural school students. I'm testifying today not only as the voice of NRCSA but also on behalf of the Nebraska Council of School Administrators, Greater Nebraska Schools Association, the Nebraska Association of School Boards, the Nebraska State Education Association, Schools Taking Action for Nebraska Children's Education, and the Educational Service Unit Coordinating Council. Together, these organizations represent virtually every public school and educational service unit in the state. On behalf of these organizations I would like to speak in opposition to LB183. While, while we do understand the plight of the farming community and advocate for a fairer tax system for our farmers, the proposed move to set agricultural land valuations of 1 percent of actual valuation for the purpose of paying for principal and interest on bonds in our collective opinion is too drastic of a change from the current system. We believe that local boards of education or local board of education members and superintendents share your concern with the impact of property taxes on farmers. But we believe this bill could have too drastic of an impact on the ability of school districts to provide for facility projects when they are needed. The effect of it on the ability of school districts, especially more rural school districts, to address vital facility issues would be severely diminished if the proposed bill is adopted. A small study by the OpenSky Policy Institute helps to illustrate this. For purposes of comparison, OpenSky compared current bond issues in the current Kenesaw and Kearney Public School Districts. Using the 2017 bond levy, Kenesaw's levy rate was 7.99 cents. If LB183 had been in effect in 2017 the bond levy would have risen to 26.92 cents, almost a 19 cent increase. Using a similar scenario for Kearney, the 2017 bond levy rate was 20.05 cents. If LB183 would have been in effect in 2017 the levy rate would have risen to 22.66 cents, only a 0.26 percent increase in levy. Thus you can see the disparate effect that LB183 would have had on, would have on bond levies in different sized school districts. It is already difficult to pass bond issues in our rural districts. A review of bond elections in the past 12 years shows that Class A and B-- and I, what I'm using is the NSA activity classifications-- School districts hold successful bond elections a little over 70 percent of the time. Of the 14 failed bond elections during that time in Class A, B districts, 7 were in districts with fairly large shares of ag lands. Over the same 12 years, Class C and D districts held successful bond issues about 49 percent of the time. Thus, the more rural districts are already facing bigger challenges in

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passing bond issues. In closing, the education organizations named above are opposed LB183 in its current form. We're certainly sympathetic to the overreliance on ag land property valuations in the current school funding structure. However, we do believe that reducing the ag land valuations to 1 percent of their actual valuation is too drastic of a step to take. We encourage you to seek other alternatives and are willing to be partners in this discussion.

**LINEHAN:** Questions from the committee? Senator Groene.

**GROENE:** Clarification though, that's kind of misleading, those statistics. When you've got an Elkhorn, Omaha, Lincoln, Kearney, with vastly growing communities. The bond elections pass, they have to. Their schools are over overcrowded, so you're going to have a higher percentage of those pass. But when you look at Hampton where they built a gym and they didn't need it or Hayes Center, those bond elections pass because they know who's paying for him and they're afraid Main Street's going to close. So those statistics are a little slanted there.

**JACK MOLES:** And I agree with you on the A and Bs, yeah.

**GROENE:** --bond election and people understand that. So does OPS because they're growing.

**JACK MOLES:** Right.

**GROENE:** So there's an influence there that you didn't take into account. Thanks, Jack.

**JACK MOLES:** I do agree with you on that.

**LINEHAN:** Other questions? I see none, thank you very much.

**JACK MOLES:** Thank you.

**LINEHAN:** Other opponents? Neutral?

**RENEE FRY:** Good afternoon, Chairwoman Linehan and members of committee. My name is Renee Fry, R-e-n-e-e F-r-y, I'm the executive director of OpenSky Policy Institute. As you'll see on this handout, I am not Connie Knoche, I am Renee Fry. She was going to present, testify today, so I am stepping in and you get the B team when it comes to TEEOSA. But I will do my best. And I thought since the numbers that Connie ran were used earlier, I would present a handout

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that she provided. And I think I just want to sum up sort of our position on this. When we look at the numbers, when we look at-- so for example she ran Kenesaw Public Schools where you do have 71 percent of the bond that's being taxed or being paid by ag land, we get it. We get the concern, we get the purpose for the bill, and some, some sort of adjustment here seems to make sense for us. When you look at for example Kearney, though, the shift to residential isn't going to be very much, right? So you can see here that for Buffalo County a residential homeowner, if a bond were to pass, their bond would go up by about 13 percent. In Kenesaw, it's going to go up to 136 percent. So we just want to make sure that you're aware that there would be a significant shift to residential. And so the question we have does, is 1 percent too low? Does it just go a little bit too far? Is there some number in the middle that makes a little bit more sense? We also would bring to your attention LB182 introduced by Senator Bolz, which you will hear later this session. That's a bill that she brought last year that would introduce a local option income surtax. Iowa uses this, it's vote of the people and for bonds. Allows school districts, if the people support going that route, can use income tax in lieu of property tax to pay for bonds. So it would be another way to get at sort of the same issue here and something that we'll be back talking about later. I do want to mention, Senator Linehan, you asked about commercial. My understanding is that if you treated commercial differently that would not be constitutional. So with that, I'd be happy to answer questions.

**LINEHAN:** Any questions? OK, thank you very much.

**RENEE FRY:** Thank you.

**SARAH CURRY:** Sarah Curry with the Platte Institute. S-a-r-a-h C-u-r-r-y. Thank you for having me. We are here to testify in a neutral capacity. LB183 has brought up an issue that we've received a lot of feedback about since we've started surveying Nebraskans about property taxes last year. We found that many agricultural property taxpayers feel that they are a disadvantage in their communities when it comes to school bonding and capital expenditures. Because their property tax bills are much higher than most of the residential property taxpayers and they feel they're at a disproportionate share of the cost of the bond relative to the benefit, benefit they receive, which was mentioned earlier by other testifiers. We see that the tax increase of an ag producer is likely to face if a school bond is adopted will be significantly higher than the relative modest tax

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increase of a residential pack, taxpayer. There's definitely some merit to the idea, along with Senator Briese's other bills, that we need to give voters every opportunity to understand these votes, including the knowledge going into a bond about how much skin they will have in the game. Of course, even if this policy was adopted, ag producers would still pay these bonds at the same level as anyone else on their residential properties. We are testifying in a neutral capacity as the bill was introduced. I know Senator Briese said that he had an amendment, so I haven't seen the amendment. That could possibly change our opinion on this bill. But mainly our reason for neutral was because it would be disruptive for bonds because there was no grandfather provision, and so we felt like the bonds that had already been voted on by the people should have the necessary capacity be paid. So I just wanted to make that note in there. And with that, I'm happy to take any questions.

**LINEHAN:** Questions from the committee? Thanks.

**SARAH CURRY:** Thank you.

**LINEHAN:** Thank you. Senator Briese, do you want to close?

**BRIESE:** I would waive but I'll come up here in case you have a question.

**LINEHAN:** I have a question for you.

**BRIESE:** Yeah, I was just going to say a couple of things. The other bill we talked about earlier is going to Education, the 60 percent. And like somebody mentioned this maybe is too drastic, 1 percent might be drastic. Like I said, I support it. But we, we can talk about a different number. But anyway, go ahead.

**LINEHAN:** Just one of the things I want-- and I know this is constitutional, so we'll have a problem trying to figure out. Concerns I have heard from commercial property owners is if you do this for ag, which there is great sympathy for, then their taxes are going up because they got to go-- where else will they go? So that's just a concern.

**BRIESE:** Yeah.

**LINEHAN:** It's not like they don't--

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**BRIESE:** I'm not--

**LINEHAN:** They're in a little different boat because they can change their revenue by raising their rent or whatever. And it's not, they're not as up and down as ag. But--

**BRIESE:** Yeah.

**LINEHAN:** It's a concern, I think.

**BRIESE:** I haven't worked through a solution for that but it is a concern. Something we should think about, I would think.

**LINEHAN:** Any other questions? OK. You [INAUDIBLE]. I'm sorry, I'm sorry.

**CRAWFORD:** We're able to evaluate ag land differently because it's in the constitution at that rate. This is paying a different rate in, so I guess I'm confused at how it's not unconstitutional or how we wouldn't have to do this as a constitutional amendment.

**BRIESE:** It is my understanding that rate on agriculture is at our discretion.

**CRAWFORD:** Pardon?

**BRIESE:** It's my understanding the rate on agriculture land is at our discretion. At the body's discretion. So we can take ag up and down where we want it to be.

**LINEHAN:** So the 75 percent is not in the constitution, all that's in the constitution is it can be valued differently.

**CRAWFORD:** Valued differently, I hear what you're saying.

**BRIESE:** Yes. Yeah, but that's good, good question. Good point.

**LINEHAN:** Other--

**BRIESE:** Yeah, therein lies the problem with commercials, how do you do that.

**LINEHAN:** Constitutional amendment. Senator Groene.

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**GROENE:** Can I offer an answer? If you own commercial, vote against the bond.

**LINEHAN:** Yeah, OK. Yes, Senator Friesen.

**FRIESEN:** Thank you, Senator Linehan. So to address the commercial aspect of it because I agree it does, it does fit with what you're trying to do, is there a way of mitigating the taxes that commercial has to pay into the tax credit of some sort? Would that--

**BRIESE:** I'm not sure. Hadn't thought about that really.

**FRIESEN:** OK.

**BRIESE:** Good, good thought.

**LINEHAN:** Senator Groene.

**GROENE:** That huge tax rate will be your \$400,000 combine too.

**BRIESE:** Pardon?

**GROENE:** Would it not? That huge tax rate would be on your \$400,000 combine too.

**BRIESE:** Well, this I believe addresses, addresses ag land here.

**GROENE:** No, but it shifts it to your--

**BRIESE:** Oh yeah, I see what you're saying. The way this is drafted, yes, it would.

**LINEHAN:** OK. OK, is that it? OK. Letters for the record. We have no proponents. We have two or three opponents: Michael Dulaney, NCSA; Kyle McGowan, NCSA; Kristen Hassebrook, Nebraska Chamber of Commerce. And none in neutral. With that, we can close the hearing. Thank you very much for your hard work.