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**LINEHAN [00:00:02]** Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska. I represent the 39th Legislative District. I 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--written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceeding, I ask that you abide by the following procedures. Please turn off your cell phones and other electronic devices. Move to the chairs in the front of the room when you are ready to testify. The order of testimony is introducer, proponents, opponents, 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. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes. And we will use the light system because it helps everyone, so you have four minutes on green and then you need to wrap up when it turns yellow. If your remarks were reflected in a previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist. And to my far left, at the end of the table, is committee clerk, Grant Latimer. And now I would like the senators to introduce themselves, starting with Senator--

**KOLTERMAN [00:02:11]** Senator Mark Kolterman, District 24, York, Polk and Seward Counties. Yesterday I was your favorite.

**LINEHAN [00:02:19]** You're all my favorite. [LAUGHTER]

**KOLTERMAN [00:02:23]** Yeah, right.

**FRIESEN [00:02:24]** Curt Friesen, District 34, Hamilton, Merrick, Nance, part of Hall County.

**McCOLLISTER [00:02:28]** John McCollister, District 20, Omaha.

**CRAWFORD [00:02:31]** Good afternoon. Senator Sue Crawford, District 45, which is eastern Sarpy County.

**BRIESE [00:02:34]** Tom Briese, District 41.

**LINEHAN [00:02:37]** Our pages, if they could stand, are Noa from Central City, Nebraska. She's at Doane, majoring in history and political science, and Erin, who is from Lincoln, Nebraska, but attending Doane as well, majoring in political science, law, politics and society. Please remember that senators may come and go during our hear-- hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also, for our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we are an electronics-equipped committee and information is provided electronically, as well as in paper form; therefore, you may see committee members referencing information on electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. On that, we will open the hearing on LB812 and welcome Senator McCollister.

**McCOLLISTER [00:03:41]** Thank you, Chairwoman Linehan and members of the committee. I am John, J-o-h-n, McCollister, M-c-C-o-l-l-i-s-t-e-r, and I represent 20th Legislative District in Omaha. Today, I'm introducing LB812. This proposal would make two changes to existing sections of statute that define the authority of the Tax Equalization and Review Commission, called TERC. This bill was the product of our LR232 hearing last fall. The bill would authorize TERC to send a case back to the county board of equalization for reconsideration or rehearing and create a procedure to be followed. Section 2 would grant this authority to the TERC. Section 3 would establish the procedural steps. Giving TERC this authority to remand a case back to the county would add another tool for the commission to use in resolving disputes. For example, when the dispute concerns a valuation of a property, the commission would be authorized to remand the case if the

record does not include enough evidence about the correct value for the property. When the record is inadequate, the commission cannot make a finding of what the correct value is, so it cannot reach a final conclusion that ends the dispute. Remanding the case to the county for reconsideration or rehearing would provide an opportunity to develop the missing evidence of value. This would increase the likelihood that disputes could be resolved, the dispute four or five years ago in Douglas County, as an example, of the utility of this feature in the bill. The second change to the existing statute is in Section 4 of LB812. This would tighten the acceptable range of value for property that is not classified as agricultural or special valuation treatment. Under current law, the acceptable range of value is between 92 and 100 percent of actual value. LB812 would move the lower end of the range to 94 percent of actual value. The upper end of the range remains at 100 percent. A tighter range would eliminate the disparities in county assessment practices, and some counties assess to lower values of the range, while others assessed to a higher value in the range. The best example of this practice is in the Millard Public Schools District, which have schools in both-- in two counties. I'd be happy to answer any questions you may have.

LINEHAN [00:06:24] Thank you, Senator McCollister. Are there questions from the committee? Will you be here to close?

McCOLLISTER [00:06:31] I will.

LINEHAN [00:06:31] OK. Thank you.

McCOLLISTER [00:06:32] Sure don't want to go next-door.

LINEHAN [00:06:36] Doesn't look like you're going to be able to spend the whole afternoon here, but--

McCOLLISTER [00:06:41] Oh, boy.

LINEHAN [00:06:41] Are there proponents? Are there opponents? Welcome.

TOM PLACZEK [00:06:59] Hello. Good afternoon, Chairman Linehan and members of that Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k. I am the legislative representative for the Nebraska Association of County Assessors and I am the Platte County assessor. I believe that while this belt-- bill is

well-intentioned, I don't believe it would accomplish the desired results of better TERC/CBOE decisions or better assessment practices. In regards to the TERC section of the bill, I'm not sure under what circumstances the TERC would remand cases back to the CBOE. TERC's job is to render a decision on the disputed valuation. After hearing arguments from both sides, they make their decision. Both sides have their chance to present their arguments and one side failed, and that's the end of the story. Why should it go back? What-- under what circumstances would they-- are there-- is there more evidence that should have been presented? This isn't court, and people have an opportunity to bring their case, put it together, do the best job they can. TERC makes a decision based on that. I think it's that simple. I think you would-- by allowing this, you're going to extend these cases even longer. We have a backlog now. I haven't-- I've got a case now that was heard January of last year, still no decision. I know they're currently working on some 17 cases in Douglas County, have a number of those I have to do, so I don't think you need to extend this backlog. The second part that assessors have an issue with is the tightening of the ratio range to 94 to 100 percent. This flies in the face of the recommended range from the IAAO, which is the International Association of Assessing Officers. This organization is the go-to expert in mass appraisal for ad valorem taxes. They do this internationally, as well as in the United States, and they think that the range should be 90 to 110 percent. Tightening the range will, I believe, lead to the possibility of over-trimming qualified sales in order to get in that range or, worse, sales chasing. And sales chasing is the act of only changing the properties that have sold so that you have what appears to be a good ratio. And so if all you're changing is those sales to get in that ratio range and then you're not following up on the others and treating them all the same, the state, when they look at this, would say, wow, you're-- you're in compliance, great, but you're actually not treating the rest of your county the same way. But you're being forced to do this because you're tightening this range so-- so much, and it's-- I think there's-- I don't know that people understand, when we're trying to do these ratios, you just don't plug in a percentage and-- and get everybody to say 97 percent. It just doesn't work that way. You're-- you may be able to get really tight ranges in a-- a homogeneous neighborhood where it's kind of lookalike lane, they're all built at the same time, similar square footages, very-- everything is similar. Sales on that are going to fall in a tight range. You can hit those pretty well. You get into an area that's older houses, some old, some newer, some upgraded, and then sales are all over. It's a lot more difficult to home in and get everybody the same, and tightening that range makes it extremely difficult. And if-- if anything, we're

already tighter than what IAA recommends. Making it even tighter, I think, just-- just doesn't make a whole lot of sense. I see my yellow light is up. I will stop there and take any questions that you may have.

LINEHAN [00:11:31] Thank you. Are there questions from the committee? Senator Friesen.

FRIESEN [00:11:34] Thank you, Chairwoman Linehan. You said there was a backlog now, so when a person files a TERC complaint, or the county, how long does it take to be heard, settled?

TOM PLACZEK [00:11:46] Settled or heard?

FRIESEN [00:11:46] Both.

TOM PLACZEK [00:11:47] Heard-- heard is-- heard is usually within a year, year and a half.

FRIESEN [00:11:57] OK.

TOM PLACZEK [00:11:58] Settled and decisions made could be-- like I said, we had ours heard, our '17 case heard last year in January, and we have not heard yet on this case. Douglas County, I know, is having '17-- 2017 cases heard now. They're just having their cases heard now. TERC hears, I think, over 2,000 cases a year. It's tough. I mean, they have a tough job and I'm not really complaining about them. It's just tough to get--

FRIESEN [00:12:28] I know. I-- I'm just curious how long that backlog is because we've heard in the past it was--

TOM PLACZEK [00:12:33] Yeah.

FRIESEN [00:12:33] --a year and a half to two years [INAUDIBLE]

TOM PLACZEK [00:12:35] Yeah, it's probably, Senator, a little bit better than it was a few years ago when-- you know, the-- the single commissioner has helped a lot, hearings, but in several of my latest cases, just because of who I was dealing with as a taxpayer, and in one case they were very difficult to deal with, in my opinion,

it was better for me to go to the full commission and have it done once rather than having them allow it to appeal after a single commissioner and having to do it twice. So you kind of pick and choose that a little bit. But, yeah, 2,000 cases, that's-- and that's per year. I-- it's-- and there's only three of them. It's-- it's tough. It really is difficult.

**FRIESEN [00:13:19]** You think most-- are there still-- you know, a gentleman testified here, I think it was last year, that said there were parts of Omaha that were 30 percent undervalued. Do you-- I know you don't look at the rest of the state, but are there-- are there counties that you think that tend to hold down their values at the bottom of the range and other counties tend to be at the top of the range, or is that--

**TOM PLACZEK [00:13:38]** I don't know that they purposely do it. What I think a common practice is, is if you fall in that-- the current range of 92 to 100-- and for instance, in-- in Columbus, we have 11 neighborhoods. We have the city of Columbus broken up into 11 neighborhoods and we try to hit-- we hit 92 to 100 percent of that range for each one of those neighborhoods, so we treat them separately. What our-- what we have always done is we-- if we do our sales analysis and if we fall in that range for this year, we just leave it alone. If it falls out of that range, then obviously we address it. If you're constantly trying to say hit that middle, which in 92 to 100 would be 96 percent, if you're always trying to get that, you might be hitting them every year. And I have found that taxpayers don't like to be reassessed every year, in general. If you can even give them one year reprieve-- right now it's difficult because the market is so dynamic and-- but in-- when say, six, seven, eight years ago, when it was a little more stable, you could revalue a neighborhood, you might not have to do it for two or three years because it stayed in that range. And when you first do it, you maybe try to be on the little bit higher end of the range, then you don't have to touch it for a few years. People appreciate that. You're still within compliance. You're generally close to your neighbors. Everyone's kind of happy. It's a little more difficult because it's so dynamic right now. But do counties-- since we're all supposed to be between 92 and 100, I don't-- I don't think that you can really repress them. You'd have to-- you'd have to fake-- fake information. I don't know how you could fake it, you know. I honestly don't know.

**FRIESEN [00:15:31]** Thank you.

**TOM PLACZEK [00:15:31]** It's too much work to do the first time. I don't know why they want to do-- keep like a second set of books or something.

**FRIESEN [00:15:34]** I haven't looked back historically, but you notice that some counties within the last couple of years at least fall at the-- at a bottom of that range consistently--

**TOM PLACZEK [00:15:42]** True.

**FRIESEN [00:15:42]** --and other counties are always at the top of the range.

**TOM PLACZEK [00:15:44]** Yeah, and it could be one might be a little bit-- again, depending upon where it is. I know, for instance, Sarpy County, they tend to do it every year and they keep it really tight. It's a lot of work to do this. And if they've got the staff to do it, that's great. Most counties don't have the staff to keep doing this year in and year out and do every piece of property that's out there.

**FRIESEN [00:16:08]** There's a lot of dollars of state aid riding on it, so.

**TOM PLACZEK [00:16:10]** Yeah, I know.

**FRIESEN [00:16:12]** OK.

**TOM PLACZEK [00:16:12]** I guess I try-- I try to do it more-- I look at it from the standpoint of I'm just trying to get valuations right, and I'm not worried about state aid. I'm just-- my job is to get valuations where they should be and-- but--

**FRIESEN [00:16:22]** OK. Thank you.

**TOM PLACZEK [00:16:23]** You bet.

**LINEHAN [00:16:23]** Thank you, Senator Friesen. Are there other questions from the committee? Senator Briese.

**BRIESE [00:16:27]** Thank you, Chairman Linehan. Thank you for your testimony today. At a TERC hearing, you can present any new facts or any new evidence that you wish?

**TOM PLACZEK [00:16:37] Yes. Yes.**

**BRIESE [00:16:38] OK.**

**TOM PLACZEK [00:16:38] You bring it. You present your case at the local level.**

**BRIESE [00:16:43] Yeah.**

**TOM PLACZEK [00:16:43] And-- and then when you go to TERC, you can bring in other-- other evidence that you forgot to say yet, because you usually don't get a lot of time at those hearings. At least Platte County, we've always, well, hey, whatever you've got, bring it and--**

**BRIESE [00:16:58] OK. Very good. Thank you.**

**LINEHAN [00:17:00] Thank you, Senator Briese. Are there other questions from the committee? I had one, but I'm not sure. I don't-- I'm not sure why it would slow down the process if, maybe I don't understand this, but if what Senator McCollister is suggesting, if TERC-- TERC de-- is he-- is he-- I should ask him this. Do you read this that he's saying TERC doesn't make the decision, they just look at it quickly and say they need to look at this again--**

**TOM PLACZEK [00:17:35] I--**

**LINEHAN [00:17:35] --or is he saying--**

**TOM PLACZEK [00:17:38] I am--**

**LINEHAN [00:17:38] --is he saying TERC-- TERC looks at it, changes his mind, and tells the county to change, what--**

**TOM PLACZEK [00:17:43] The way I am understanding it is TERC looks at the case and, the way at least he just said now, is they see that there's maybe not enough evidence, I don't know, from both sides, one side or whatever, and then they remand it back for a kind of a rehearing.**

**LINEHAN [00:18:01] So that backlog would be at the county, not at the state.**



**TOM PLACZEK [00:18:04]** Well, but eventually it's going to come back to the TERC.

**LINEHAN [00:18:06]** But they wouldn't hear it twice. They just--

**TOM PLACZEK [00:18:09]** Well, they've heard it this time. They're remanding it back. And so unless they come to an agreement, it's coming back again to TERC.

**LINEHAN [00:18:19]** Well, I wondered if some of the reason is, and because this is-- I've not ever been to a TERC thing or ever been to the county board, but I do remember some-- from other hearings that people were concerned that TERC says their right valuation should stay down or their-- the county took them up too high, so TERC says take them back down, but then the next year county raises it back up again. So they get in this thing where they have to go back to TERC every year, and if he's trying to suggest if you send it back down to the county, maybe that would stop some of that.

**TOM PLACZEK [00:18:49]** And I wonder if he's referencing more the state equalization of counties then, as opposed to individual TERC cases. But it-- the way it's written, it could be individual cases; it could be state equalization. What he was referencing before was a state equalization problem for Douglas County and the various areas that I think a couple of neighborhoods were increased by-- had to be increased by, say, 8 percent and one lower [INAUDIBLE]

**LINEHAN [00:19:19]** Well, I think what the problem is, because I'm familiar with this, too, Millard School District sits in two counties.

**TOM PLACZEK [00:19:25]** Right.

**LINEHAN [00:19:25]** One county, Sarpy County, does theirs every year. Douglas County does it every three years. So the people in Sarpy County feel like they're paying a bigger share-- not-- more than their fair share and that Douglas County is-- I'm not saying this is true. This is what people believe.

**TOM PLACZEK [00:19:42]** Right. Right. And I-- I know Sarpy County does theirs every year. I don't know how much it actually changes every year. They-- they really fine-tune it. I-- I know that. As far as Douglas County, I don't know. They say

three years. Right now, it's probably difficult to do it every three years because it's so dynamic. I could see where that might--

**LINEHAN [00:20:02]** Well, I don't even think they're doing it every three years, actually.

**TOM PLACZEK [00:20:04]** OK. Yeah, I would think it might--

**LINEHAN [00:20:04]** I think some go four or five or six years.

**TOM PLACZEK [00:20:06]** I would bet now they're probably doing it every-- every year, some of these, probably, because it-- they have to, to stay in compliance. I mean, our-- ours are going up 6 to 10 percent a year, so there's no way-- we just did eight neighborhoods this last year. I have already looked at the statistics for next year. We're going to be doing six or eight neighborhoods again next year, some of them over again because you have to drop off your last year. You had-- you keep the-- the old one, you throw off the oldest year, you keep the newest year, then you have the upcoming year, and those ratios are just going down, down, down on the newer sales, so we're having to redo them again because the market has just changed. I can't imagine Millard School District is any different.

**LINEHAN [00:20:49]** So you're saying in Columbus valuations are-- in residential and commercial are going up 6 to 10 percent a year?

**TOM PLACZEK [00:20:54]** The-- not the commercial so much, the residential.

**LINEHAN [00:21:00]** Residential.

**TOM PLACZEK [00:21:01]** Yeah. Residential was-- well, let's put it this way. Our average sale on a house two years ago was \$144,000, next-- as of this year, is \$162,000, so \$18,000 in two years. That's well over 10 percent, and that's just an average.

**LINEHAN [00:21:19]** OK, that's helpful. Thank you very much. Senator Groene.

**GROENE [00:21:25]** As I've seen it in North Platte and I heard it from the-- Senator Linehan brought it up, Millard, over this overdoing property taxes in Millard and

**Westside and a few other, that the medical institutions are just taking lots of property off the-- off the property rolls where they're buying private entities and--**

**TOM PLACZEK [00:21:47] Buying private practices and-- and folding it under the hospital?**

**GROENE [00:21:52] Yeah, it's really hurt Millard and Westside. There's some big units that got taken off.**

**TOM PLACZEK [00:21:56] That could be. We had-- seen some of that in-- in Platte County also.**

**GROENE [00:21:59] Could a county assessor or a county commissioner take a case to the TERC, or is it only the taxpayer who gets to do it and say, we-- we've got a problem here?**

**TOM PLACZEK [00:22:15] We-- we can challenge those. What they do is they-- excuse me-- file what we call a permissive exemption and-- but as long as it meets certain criteria, whether it's religious or educational, charitable, things like that--**

**GROENE [00:22:31] But the charitable I understand--**

**TOM PLACZEK [00:22:33] That's what they-- they get under because they do lots of surgeries and care that they don't get paid for,**

**GROENE [00:22:42] But they get paid for a lot of it.**

**TOM PLACZEK [00:22:43] But they do get paid for a lot, but there's a lot of it they don't. And I'm not sure. That's probably way-- way above my pay grade as far as that goes, yeah--**

**GROENE [00:22:52] Well, you haven't seen that--**

**TOM PLACZEK [00:22:52] --but it has happened. I know, in Columbus, the hospital has bought three different private practices and folded them into the Columbus Community Hospital umbrella, and they're now-- now exempt. And--**

**GROENE [00:23:07]** I'm sure everybody there works as volunteers or takes minimum-wage pay, right?

**TOM PLACZEK [00:23:10]** Yeah. You know, there's-- yeah, and there's not much we can do about it. They do qualify under the current criteria.

**GROENE [00:23:17]** Thank you.

**LINEHAN [00:23:18]** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here.

**TOM PLACZEK [00:23:23]** Thank you very much.

**LINEHAN [00:23:36]** Good afternoon.

**JON CANNON [00:23:36]** Good afternoon. Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in opposition to LB812. First, we want to thank Senator McCollister for bringing this. We-- we think his heart is in the right place. We think that the use of statistics can be used when applied correctly, but on that, I-- I want to bring some glad tidings to this committee. The people that are-- that are responsible for figuring these things out estimate that there are about-- of all the people that have ever lived, there have been 50 billion people that have ever lived in the history of the planet; 7 billion of them are alive right now. And so what you would do is you would say statistically, 14 percent of all the people that have ever lived are alive right now. And you could further infer that of all the people in this room right now, each one of you has a 14 percent chance of living forever because you haven't passed on yet. That's obviously not true. And that highlights the problem that you have when you're trying to use statistics improperly. These are inferential statistics that we're using and we're-- what we're trying to do is create the illusion of accuracy to say that we know exactly what's going on in Douglas County versus Sarpy County, in Morrill County versus Banner County, or what have you. The Douglas County case, which was referenced a few-- was a few years ago, that was a case where Douglas County-- in Douglas County, west Omaha had been-- there was a recommendation that the values would go-- should go up. There was also a statistic which indicated that values in north Omaha were perhaps too high. That case went up to the Supreme Court after TERC had made

**adjustments. The Property Assessment Division at the time, they said, we believe the statistic for west Omaha is correct, we do not believe the statistic for north Omaha should be followed, but TERC made those adjustments anyway. It goes up to the Nebraska Supreme Court and the Nebraska Supreme Court says, based on the analysis, that statistic in north Omaha should not have been relied upon. You have another example of how these are inferential statistics, and we shouldn't say that they have any more certainty than-- than we should give them credit for. As Mr. Placzek had testified, the International Association of Assessing Officers, otherwise known as IAAO, they have recommended a range of 90 to 110. For obvious reasons, no one wants to say that, you know, our-- our county is at 106 percent, yay, we're good. But what that represents, however, is the-- the margin of error. And so when we in Nebraska say that you're between 92 and 100, it is as if the assessor got to 100 percent. We're saying you get a passing grade. Your values are-- are assumed to be correct at-- at 100 percent, which is what the assessor's obligation is. That-- that range is just the statistical range, which says you got close enough because of the fact that all the sales that we're using, they only represent about 2 percent of the population of-- of total properties. And what we're trying to say is we're going to use that 2 percent of sales and, again, make that inference as to what the actual value of all the unsold properties is. And again, we would submit that that is an improper use of statistics. There are a lot of different measures that we could use if we wanted to-- you know, in going along with what Senator McCollister has suggested, I-- I-- like I said, I think he is correct in wanting to use statistics. There are other statistics that are available to assessors that assessors do use. They use coefficients of dispersion; they use price-- price-related differentials. And in the Douglas County case, the Supreme Court relied upon the confidence interval. These are all statistics that are calculated by the assessor. These are all statistics that are calculated by the Property Assessment Division or relied-- and used by TERC from time to time. And we think that if-- if this committee and if Senator-- Senator McCollister would like to, that is a direction that we could go. We could perhaps look at how we would use statistics to come up with some more equitable values from across county lines. As for the-- the other part of the bill, we established the Tax Equalization Review Commission to have certainty. It's a-- essentially like a court of special jurisdiction, if you will. And what we're doing is we're removing that certainty by allowing, you know, a remand where something goes up to TERC, the case is heard in front of TERC, and TERC can all of a sudden remand it back to the county. We don't think this is going to lead to a reduction in the number of cases that is a part of TERC's backlog. In-- in fact, what is very likely to happen is**

the county board of equalization is going to render the same decision, it's going to go back up to TERC, and, oh, by the way, as had been discussed previously, those cases at TERC are heard de novo. They're not based on the record created at the county board of equalization because, for what it's worth, the record that's made in Douglas County is probably going to be subtly different than the record that's made in Arthur County, which is to say there's not going to be a record made in Arthur County. And so saying that we're going to treat everyone the same when you've got such a great disparity in the sorts of records which are going to be created, probably is not the-- the policy direction that-- that we would recommend that we go. That's-- I think that's all I have. I'd be happy to take any questions.

LINEHAN [00:28:32] Thank you, Mr. Cannon. Are there questions from the committee? Senator Groene.

GROENE [00:28:36] What's the range again that you got to be within?

JON CANNON [00:28:39] For residential and commercial, sir, it's 92 to 100 and for agricultural land it's 69 to 75.

GROENE [00:28:44] Ninety-two to 100. Who defines-- how do you define that you're 94 or 95?

JON CANNON [00:28:49] So what happens is, Mr. Placzek will-- in-- in Columbus, he'll take each of those neighborhoods, he'll take all the sales, and he'll figure out what the sales price is and he'll figure out what the assessed value was. He'll take the assessed value. He'll divide it by the sales price. That's going to yield a ratio. And so if, for instance, your house is valued at-- he has you valued at-- at \$95,000 and your-- your house sells for \$100,000, then it's a ratio of 0.95. You take all of those sales, all those ratios, you line them all up from low to high or high to low, and you pick the middle ratio. Why do we pick the middle ratio? That's because that is the most likely indicator of central tendency. We've-- over time we said statistically that's probably a good representation of-- of where you're at as far as your level of value. However, you know, again, you might have five or six sales in that particular neighborhood that you're measuring. You may have 300 sales in that particular neighborhood that you're measuring. It's all going to just depend. But what we do is we're picking that middle ratio--

**GROENE [00:29:50] The mean.**

**JON CANNON [00:29:50] --and that middle ratio. the median, and that middle ratio becomes whatever the statistic is that we're reporting to the Property Assessment Division and on to TERC.**

**GROENE [00:29:58] All right. But how-- that didn't tell me anything. What-- what's the at-- what's-- how do you decide if they're within 92 to 100 and--**

**JON CANNON [00:30:06] So I've got-- let's say in-- in Platte County's case, and Tom will correct me, I'm sure, if I'm wrong and I'm certain I will be, but let's say I've got 300 sales countywide and I go-- they do my ratio and my ratio setting, and they come up with an array of ratios and they pick that middle ratio, and that's what's going to be reported to the Property Assessment Division. And they're going to say the calculated median is 97, and that's what they're going to report to TERC. Now TERC is going to look at a number of other ratios. They're going to look at the coefficient of dispersion. How many of those other ratios are fairly close to that 97? And they can analyze that and they can say, OK, we're reasonably certain that 97 percent is about where you're at. Since that represents only 2 percent of-- of all the properties, we're going to say that you get a passing grade. You're at 97 percent? It's as if you're at 100 percent.**

**GROENE [00:30:53] The problem is with TEEOSA, they figure their value is at 96.**

**JON CANNON [00:30:59] That-- that-- that's correct, sir. They-- they adjust to the midpoint of the ratio.**

**GROENE [00:31:01] And then Douglas County historically has been at about 92 or 93. So the state gives the schools in Douglas County more state aid because the assessor has undervalued the properties.**

**JON CANNON [00:31:14] And again, the-- the premise, sir, would be that if you're between 92 and 100, it says if you're at 100 percent that you've done your job.**

**GROENE [00:31:22] In the-- in the TEEOSA formula, they figure it at 96.**

**JON CANNON [00:31:26] Right.**

**GROENE [00:31:28]** No, it's the other way around. They figure, yeah, 96 and then if they're-- and so Omaha and Lincoln-- Omaha loses state aid. When the Lincoln is at 99-- 100, they get to tax at 100 percent when-- when they only figured their local effort at 96.

**JON CANNON [00:31:43]** That's correct.

**GROENE [00:31:43]** So that's-- it causes the state some-- school districts some grief because we're not at all at--

**JON CANNON [00:31:51]** Yeah, and--

**GROENE [00:31:52]** --96.

**JON CANNON [00:31:54]** And-- and I think the reason that we-- we picked that, there was a court case probably about 20 years ago, Shaul v. Lang, where the Garden County assessor had values that were reported to TERC and TERC said, your values are too high. And so she was adjusted back down. I say "she" because it's Janet Shaul, the Garden County assessor. The very next year she had the same values. But like Mr. Placzek had testified to earlier, her older values had fallen off, she had new sales that were coming in, and it goes up to TERC and TERC said, your values are too low, we need to adjust you up. And the third year she said, OK, what am I supposed to do? And the reason that we go to the midpoint of the range when-- if you're-- if you're between 92 and 100 for state aid purposes, is so we don't have that yo-yoing effect where old sales drop off and all of a sudden we have to, you know, make up for it because these new sales have come in and-- and that kind of bumps us up and maybe bumps us down.

**GROENE [00:32:48]** Thank you.

**JON CANNON [00:32:48]** Yes, sir. Thank you.

**LINEHAN [00:32:49]** Thank you, Senator Groene. Other questions from the committee? Seeing none, thank you very much for being here.

**JON CANNON [00:32:55]** Thank you very much.



**LINEHAN [00:32:57]** Are there other opponents? Is there anyone wanting to testify in the neutral position? Letters for the record: we have no proponents, two opponents, Dan Schmid from Dwight and Diane Battiato from Douglas County Assessor, and no one in the neutral position. So, welcome back, Senator McCollister.

**McCOLLISTER [00:33:24]** Thank you very much. I want to thank the committee for the hearing this afternoon and also for our LR232 hearing last fall. I-- I learned a lot, including-- we discussed standard of evidence, the no-show problem. The remand issue came from legislation in 2007. We discussed fees. Senator Stinner had a bill on that. We discussed software and-- and standard form. So we did cover the waterfront at our LR hearing last fall. This-- bill isn't likely to-- to become legislation, but it's been a useful exercise and I'd like to thank the committee for that, and-- and the Chair.

**LINEHAN [00:34:06]** Thank you, Senator McCollister. Are there questions from the committee?

**McCOLLISTER [00:34:10]** One other item, however.

**LINEHAN [00:34:12]** Sure.

**McCOLLISTER [00:34:12]** Senator Groene asked an interesting question about the array that they produce when they start looking at property values. How about those properties either on the low side or the very high side? Now if a property comes in at 80 percent of value, on the low side, you know, what-- what-- how do we handle that particular problem? Or if a property comes in at 120 percent of value, on that high end of that scale, how do we deal with that? And, you know, it could well be that you could-- you could get a better-- better conclusion if you in some way dealt with those, the real low values or the real high values based on market value. That's-- that's my point. Maybe I need to talk to Mr. Cannon about that.

**LINEHAN [00:35:04]** Can you just-- what was your thought process as far as having it go back down to the county? What-- just walk me through the--

**McCOLLISTER [00:35:14]** Well, my thought process was the issue Mr. Cannon raised in Douglas County where, you know, TERC had some problems with the

values that Douglas County prepared. And so I was thinking that if they could simply remand that back, have a recalculation occur, then they could come back and perhaps meet the intention--

LINEHAN [00:35:35] Instead of having the TERC just automatically raise it 7 percent like they did--

McCOLLISTER [00:35:38] Yeah.

LINEHAN [00:35:39] --just say this isn't right, gentlemen--

McCOLLISTER [00:35:41] It-- yeah, that would seem to me a better process.

LINEHAN [00:35:42] --county board, try to do it again.

McCOLLISTER [00:35:44] It seemed to me to be a better process, but--

LINEHAN [00:35:47] So you were you talk-- you were thinking big global. You weren't thinking send back--

McCOLLISTER [00:35:52] Individual.

LINEHAN [00:35:52] --one house or one farm. You were thinking before they decide--

McCOLLISTER [00:35:56] Yes.

LINEHAN [00:35:56] --they're here, at this level, going to raise them 7 percent, just go back to the-- I see. OK, that makes sense. All right. Thank you. Other questions? Senator Groene.

GROENE [00:36:05] Your comment before is what you're saying has got-- poor guy bought a house and he's-- he's low-- valued low. All of a sudden he gets \$80,000, he gets \$130,000 increase, but the guy who paid too much for his house, paid \$200,000 for a house, ends up with a valuation of \$160,000 and he's the guy that should be paying-- is that what you're saying, that people we hear from are the poor guy on the bottom all of a sudden gets a \$30,000 and \$40,000 increase?

**McCOLLISTER [00:36:31]** Absolutely. I think, you know, you brought up a good problem, or a problem we should take a look at perhaps and-- but, you know, since values are based on sales, they'll go out and assess the property, we know that; but when a sale occurs, they assume that's-- that's the market value. But if somebody, as you pointed out, overpaid--

**GROENE [00:36:55]** He gets a lower tax rate than the poor guy, pays less taxes than what he paid for the house, but the poor guy with \$80,000, if I'm thinking right, he gets hit because the other guy bought that house too.

**McCOLLISTER [00:37:06]** That's a good point. Thank you.

**GROENE [00:37:07]** He's punished, not the guy who paid too much. Is that the way you understand it, sir? Yeah, thank you.

**McCOLLISTER [00:37:12]** Yeah.

**LINEHAN [00:37:13]** Thank you, Senator Groene. Are there other questions from the committee? Thank you very much.

**McCOLLISTER [00:37:18]** Thank you. Thank you.

**LINEHAN [00:37:19]** Did-- I already did the letters, so that closes our hearing for the session on LB812, and we will open on LB829. Welcome back, Senator Erdman.

**ERDMAN [00:38:07]** Thank you. Thank you, Madam Chairman. Thank you for-- committee, for letting me come and testify today. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n. I represent District 47, which is ten counties in the Panhandle; they're mostly rural and frontier in nature. I'm here today to present LB829. LB829 is a property tax relief bill. And you may say, how is that possible? I plan on explaining that as we go through the process. So if you look at the bill, and it's a very simple bill, has a couple of things that it does. One, it requires Game and Parks to pay in lieu of taxes on all property that they currently now have in their possession. The old statute said that they would only pay in lieu of taxes on property acquired after 1977. I am not privy to why that date was picked, but maybe someone will testify to that fact. The other issue we have is that the property that is acquired now, according to the statute, says that whatever the

use of that property was when they acquired it, will always be the use. So if they bought agricultural property and they use it from other-- some other purpose, it's still agricultural property. My contention is they have property that they use for recreation, hunting. And when I was a county commissioner, when we had folks who purchased land that was used for recreation and it wasn't agriculturally related, we changed their value from agricultural to recreational, which was about five times as high. I don't know that they have a lot of property that they don't use for agricultural purposes, but I want to give the county assessor the opportunity to make adjustments in that value if they see that the land is not being used for what it was originally used for. And so right now, the county assessor has no opportunity to do that. They can't change the value because in the statute it said it shall always be agricultural land. So moving forward, they need to be able to understand that they have to follow under the same guidelines as everybody else who pays property tax. Whatever the use that land is used for, the highest and best use shall be the value. So that's the bill in a nutshell. So I handed you several documents. And as I have reviewed the fiscal note that was-- that was a-- sent with LB829, I have to take exception to some of the comments or the conclusions that were drawn. And so when you looked at the fiscal note, it talked about how many acres they currently have, they owned that was procured before 1977. It also talks about how much property tax they currently pay. Game and Parks now pays in lieu of taxes \$1,032,399 annually. And I will point out to you how much they do not pay on property that they own that they procured before '77, just in two counties. And the reason that I only have two counties is because it is a difficult process figuring out what is owed. So they pay \$1,032,000, and you'll see on the bottom of that fiscal note it said that this would increase in lieu of taxes from \$546,000 to \$2.4 million, depending on-- depending on the valuation change on the-- on the use of the property. Now the document that I gave you that had the fiscal note, and it shows Dawson-- Dawes County and Sioux County on that note, and if you'll notice, in Dawes County, they're saying that the--

LINEHAN [00:41:49] Could you--

ERDMAN [00:41:50] --property tax--

LINEHAN [00:41:50] I'm sorry, Senator Erdman, could you show us which document--

ERDMAN [00:41:52] OK.

**LINEHAN [00:41:52] --we're supposed to be-- I think that would help us.**

**ERDMAN [00:41:55] Sorry about that.**

**LINEHAN [00:41:58] That's OK.**

**ERDMAN [00:41:58] It's this one here with the little chart on the bottom.**

**LINEHAN [00:42:00] OK.**

**ERDMAN [00:42:00] All right? Sorry.**

**LINEHAN [00:42:06] That's the fiscal note. OK.**

**ERDMAN [00:42:08] OK?**

**LINEHAN [00:42:09] OK.**

**ERDMAN [00:42:09] It's in the fiscal note.**

**LINEHAN [00:42:09] OK.**

**CRAWFORD [00:42:09] OK.**

**ERDMAN [00:42:10] So here's the point I'm trying to make. All right. Currently, the estimate from the fiscal note was that in Dawes County, they would pay another \$23,771. This document that I presented with you, the one with the information on-- on-- it has several documents with it. I went through that and I figured up every one of those properties that they own that they currently don't pay property tax on. All right? Here's the number. This is the number that they do not pay in Dawes County, and it's-- it's on the bottom of this one sheet right here. Currently, they do not pay property tax in lieu of \$147,000 in Dawes County, \$147,000, not \$23,000. The point is this. On this document with the picture on it, this land on the bottom part, the green part was just purchased last November by Game and Parks. The part that's right above that was already owned by Game and Parks. It's called the Peterson Wildlife Management, but it was procured before 1977. So the green part that they just purchased, they're going to pay in lieu of taxes on that**

part, but the part to the north, they had since 1970-- before 1977, they pay no taxes at all. And so the taxpayers in Dawes County are paying \$147,000 more because Game and Parks is exempt from paying taxes on that many acres. Twelve thousand in-- in Dawes County alone, Game and Parks doesn't pay property tax on 12,176 acres. All right? So there's the problem. That's why this is a property tax relief bill. Now they say that the hunters and the recreationalists need to enjoy the outdoors and they need to come here and that's fine. But let me tell you, they shouldn't be able to come there on the backs of the taxpayers in Dawes County. So what this is going to do, this is going to relieve taxes on those taxpayers in that county to the tune of \$147,000. This is a property tax relief bill. That's just Dawes County, right? So in Sioux County-- in Sioux County, I gave you another document and this-- this document has a lot-- they have a lot less property in Sioux County. In Sioux County they are shorting the county about \$16,000 on an annual basis-- \$16,000. Now if you think about it, it's been going on like that at least since 1977. So they haven't paid in lieu of taxes on that property since 1977. How much taxes have they not paid? Millions of dollars in taxes they haven't paid since 1977. I have no idea why one property that you buy this year is taxed and one property you bought in 1976 is not. This gives us an opportunity to have Game and Parks step up and be a good citizen and pay taxes on the property they now currently own and use. And so as we move through this whole process, what I'm asking you to do is allow the county assessor to put this property on the tax roll, because when I called Dawes County, when I called them and got that information of all those parcels, it took them a couple of days to figure out how much they actually had because those properties that they don't pay taxes on had to be researched because they don't come up when they print out what the-- what's paid. They also sent me a copy of all that they do pay, so I have those. And so as you look on that sheet and you go through there, you'll see some of them have a check mark and some have an X. Those ones with the X on are the ones they pay taxes on; the ones with check marks are the ones they don't. And so that is the conclusion that I came to by going through and reviewing each one of those individual properties and looking them up on GIS. Now here's the other situation. They may say today that we have property that we use for-- maybe it's Fort Robinson or-- or camping out, whatever they do. Right? And so I heard the discussion. I was here when you were talking about TERC. I have an understanding of TERC. It takes a while sometimes. But here's the situation we find ourself in. When I was a county commissioner, we had properties that the county owned that we rented out to people that were low-income people and we had low-income property. They were charged a rent

based on their income, 10 percent of your income. And I said as a county commissioner-- I went to a seminar when I first became a county commissioner, and Mr. Jon Cannon was involved in the Property Assessment Division then, and they had a-- they had a breakout session and said, if you want to know what should have property tax collected and what doesn't, come to this seminar. I go in there. There's six people in there. There's 150 in the room to find out how to spend tourism dollars and there's 6 of us in this room. This lawyer stands up and he says, I'm going to make it real simple for you people. I guess he knew who he was talking to. And he said, there are four reasons-- there are four reasons why you shouldn't pay property tax-- four. And he said one of them is not 501(3)(c). That does not disqualify you from paying property tax. Nonprofit does not disqualify you from paying property tax. If you're a county, you're a city, it does not disqualify you from paying property tax. And I thought this guy is-- what is this? So as a county commissioner, we had some property that we rented out because it was a-- it was a section at the end of this-- a little section at the end of the section we loaned out or rented out to a guy to graze. We paid property tax on that 30 acres because the county didn't use it for county use. So they came to the commissioner meeting and they said, here's our tax exemption for our PSC [SIC] public Panhandle Community health buildings. And I said, OK. So you're a 501(3)(c) owned by the county, but here are the four qualifications. Are you a school? No. Well, are you a church? No. Well, are you a cemetery? No, we're not. Do you charge a fee for people who live there? Do you charge a fee? Yes. I said the only four things that exempt people from paying property tax is a church, a school, a cemetery, and don't charge anything for your services. They didn't qualify. Right? So the three county commissioners, two of us vote, yes, you're paying county-- you're paying taxes, right? The other county commissioner voted no because he was the chairman of the PCS board, right? So we go to TERC. Guess what TERC said? You pay taxes. So they didn't like that decision, so they took it to the court. Guess what the court said? We agree with TERC, you pay taxes. They're still paying taxes today. The point is, Game and Parks may own buildings, they may own facilities that they use for something other than hunting, but they charge a fee. So don't let them sit here and try to tell you that because we own these buildings and because we are a state agency, we shouldn't pay property tax. I don't believe that's the case. And so I'm here to ask you today to help those people in rural Nebraska that-- counties that have land managed and owned by-- by the Game and Parks pay their fair share, no matter when the land was bought. It shouldn't make any difference if it was bought in 1959 or 1978. It should be all the same. It's managed by Game and Parks, it's used for the same

purpose, and it should be taxed. And so if you have any questions about what I have shared with you and the information that I've gathered, I'd be happy to answer that, but it's a pretty simple, straightforward concept. You own the land, you pay property tax. And that's what I'm asking you, to advance this so we can fix this once and for all. Thank you.

**LINEHAN [00:49:41]** Thank you. Questions from the committee? Senator Groene.

**GROENE [00:49:46]** This in Dawes County, 640-- 640,000. Is this along the river or what? Why do they own this land?

**ERDMAN [00:49:54]** They have-- they have purchased-- like this land, Senator Groene, in the picture here, the green, they already owned and they-- it's a wildlife management area. And the new property that they bought that's outlined in yellow there, is the new land they bought in November, or whenever it was. And they're going to graze half of that one year, and the other half they're going to leave idle for wildlife preservation, turkeys, antelope, elk, deer, whatever roam there.

**GROENE [00:50:21]** Is that a treed area?

**ERDMAN [00:50:22]** Yes, sir, that is.

**GROENE [00:50:25]** Oh. Chadron State Park has a lot of acres and I know the school district up there has a real small tax base for-- for the whole county as it--

**ERDMAN [00:50:33]** Yeah, Dawes County and Chadron.

**GROENE [00:50:37]** All right. Yeah.

**ERDMAN [00:50:37]** Right. Dawes County and Chadron, and--

**GROENE [00:50:37]** With the whole--

**ERDMAN [00:50:37]** --and they're being short of about 150,000 bucks.

**GROENE [00:50:38]** Including the forest?



**ERDMAN [00:50:44]** You know, and-- and I looked that up and on your map that-- on the list that I gave you, we discounted a couple of those because I wasn't sure whether they were the forest or if they were Chadron State Park, because going through that and trying to research-- research each individual property through the county records is sometimes pretty monotonous.

**GROENE [00:51:03]** The 15,000 acres might be the forest.

**ERDMAN [00:51:07]** I didn't find any piece that was that big, but there were build-- there were some with buildings on it.

**GROENE [00:51:11]** That a decimal point in there? Yeah, there's a decimal point. Excuse me, I thought it was a comma. Sorry. Thank you.

**ERDMAN [00:51:18]** But the-- the counties, and when I looked it up, the counties that have the most Game and Parks land are-- the one-- the most one is Dawes County as near as I can tell.

**LINEHAN [00:51:32]** Thank you, Senator Groene. Senator Friesen.

**FRIESEN [00:51:35]** Thank you, Chairwoman Linehan. So do you know of any other groups that quite a bit of ground? I mean, Nature Conservancy, I always heard they pay taxes.

**ERDMAN [00:51:43]** I don't know that, Senator.

**FRIESEN [00:51:44]** I've-- I've heard that. I've never looked into it specifically, but they said according to their charter, they do. They wouldn't be required to, but they decided to.

**ERDMAN [00:51:51]** OK.

**FRIESEN [00:51:51]** Do you know of any other groups that don't pay property tax? There's, you know, Ducks Unlimited, and might be numerous others.

**ERDMAN [00:51:58]** I don't know. I don't know that for sure.

**FRIESEN [00:52:00]** You just looked at the Game and Parks.

**ERDMAN [00:52:02] Yeah. Yeah--**

**FRIESEN [00:52:02] OK. Thank you.**

**ERDMAN [00:52:04] --because, Senator, it came to my attention when-- when they were going to purchase that 1,520 acres there back in the fall, the people from Sioux County began to call me and my impression was that they paid property tax on all the land in lieu of taxes. And as I began to visit with those ranchers in Sioux County, they began to tell me, no, there are parcels they don't pay any taxes on, and I thought, I don't know about that. So I went to the courthouse and asked that very question. The answer was, yes, there is parcels they don't pay taxes on, and it was purchased before 1977.**

**FRIESEN [00:52:36] OK. Thank you.**

**LINEHAN [00:52:37] Thank you, Senator Friesen. Other questions? Senator Crawford.**

**CRAWFORD [00:52:39] Thank you, Chairwoman Linehan, and thank you, Senator Erdman, for bringing this bill. So one of the components of the bill is the changing the date, but the other component is about the highest and best use.**

**ERDMAN [00:52:52] Yes, ma'am.**

**CRAWFORD [00:52:52] I wondered if you'd just speak to the implications of that bill-- that part of the bill.**

**ERDMAN [00:52:57] OK. Right. That's a good question. So what we do in-- on the county assessment part of it, like we had a lot of land that was purchased along the river. We have river-- north Platte River runs through my county. And so if people would buy land on the river and they were buying it for recreation, a goose pit or duck hunting or whatever, and they did not use it at all for agricultural purposes, that value was significantly higher and the county assessor would set it higher because they didn't use it for agricultural. So what they would do is they would graze it in the summertime, which served the purpose for agricultural use, and then the value was set at agricultural. But if they didn't use it for agriculture, then it was recreational. So there's a higher-- higher use or higher value on**

something that's used for a different purpose and agriculture happens to be the lowest.

**CRAWFORD [00:53:45]** OK. Thank you.

**LINEHAN [00:53:46]** Thank you, Senator Crawford. Other questions from the committee? This is very interesting information. Thank you. Do you have any idea how many total acres they own or--

**ERDMAN [00:53:57]** Yeah, I do. In the-- in the fiscal note, it talked about-- well, it talked about there's 37,730 that they don't pay taxes on, and I'm not sure if it says how many acres they own. Maybe Mr. McCoy can answer that, but they pay \$1,032,000 in property tax. And one day I was visiting with Director Douglas and he made a comment about he hoped my 35 percent solution would be adopted so he could pay less property tax. So I suggested maybe you need to sell some land, but that's not the case. But, you know, Senator-- Senator Hughes had a bill that they-- they would be restricted from procuring more land until they sold an acre; in other words, stay at that same level. So there-- there are issues we need to deal with, but I think paying their property tax would sure help.

**LINEHAN [00:54:50]** OK. Thank you. Any other questions for Senator Erdman? Seeing none, thank you very much for being here.

**ERDMAN [00:54:54]** Thank you.

**LINEHAN [00:54:54]** You'll stay to close?

**ERDMAN [00:54:55]** Oh, yeah.

**LINEHAN [00:54:56]** OK.

**ERDMAN [00:54:57]** Thank you.

**LINEHAN [00:54:57]** Proponents? Again, if you're going to testify, it helps if you move up front. Hi.

**JON CANNON [00:55:10]** Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n.

I'm the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify today in support of LB829. First and foremost, we want to thank Senator Erdman for having brought this bill. I-- I don't think I can make a presentation on this nearly as effectively as he can. His many years as a-- as a Morrill County commissioner certainly had him on the ground. He can-- I mean, his testimony was-- was terrific, and I-- I really do appreciate that. However, when I was looking at the fiscal note, what the fiscal note indicates is, that is a direct shift to every other taxpayer in that county. And so if-- if you want to talk about property tax relief, this is one vehicle that you have for it, because that is-- that is a burden that is not otherwise being picked up by the state. I appreciate that the Legislature has decided that the state should pay a share of the tax burden in those counties. However, when we talk about property taxes, we frequently talk about the fair share. And every other property taxpayer in the state, they're paying a property tax on their highest and best use for that property. And so to the extent that we've-- we've decided the state should pay a share, I think it's only logical we should ask them to pay the fair share. And with that, I'd be happy to take any questions you might have.

LINEHAN [00:56:25] Thank you, Mr. Cannon. Senator Friesen.

FRIESEN [00:56:28] Thank you, Chairwoman Linehan. So when a sale is made to Game and Parks, is that ever used in comparable sales, when Game and Parks purchase property?

JON CANNON [00:56:42] I-- I do not know, Senator. I-- I'll-- I'll find out. I'll bet Mr. Placzek probably knows and--

FRIESEN [00:56:48] I mean, what I've seen in the past sometimes is someone like maybe conservative [INAUDIBLE] comes in and comes in and buys land because it comes up for auction. Game and Parks can't just make decisions that quick. Somebody else comes in and purchases it--

JON CANNON [00:56:59] Yeah.

FRIESEN [00:56:59] --holds it for two, three years while they build their budget to buy it, which means in the meantime they've escalated the price of that because instead of wasteland or a basin, it is now high habitat area, so it goes up in value

**and Game and Parks purchases it for a pretty good profit to the Nature Conservancy, so to speak.**

**JON CANNON [00:57:22]** Right. And I would-- I would imagine that it would have to be a comparable sale. It's an arm's-length transaction between a willing buyer and a willing seller and they each know the uses the property can be put to. However, I don't know if there's-- if there's any legal restriction on-- on the use of it as a comparable sale. I will find out and get back to you, Senator.

**FRIESEN [00:57:37]** OK. Thank you.

**JON CANNON [00:57:37]** Yes, sir.

**LINEHAN [00:57:38]** Thank you, Senator Friesen. Senator Groene.

**GROENE [00:57:40]** Thank you, Chairwoman. A lot of this is given to the Game and Parks, isn't it?

**JON CANNON [00:57:46]** Frequently, yes, sir.

**GROENE [00:57:47]** Yeah. So then it's valued by comparable sales.

**JON CANNON [00:57:52]** It's valued by comparable sales for the use that it had when it went in. So if it was being used as row crop, it's going to be valued like every other row crop; even if they've-- they've put a building and they're primarily using it for hunting, they're going to value it as row crop.

**GROENE [00:58:03]** So Ted Turner decides to live forever and say-- says, as long as you call it Turner National Grasslands, so I got my name on it, I'm going to give the state of Nebraska all of my land. Is there any restriction from him to doing that?

**JON CANNON [00:58:18]** I don't believe there is, sir.

**GROENE [00:58:19]** You're kidding me. Thank you.

**LINEHAN [00:58:23]** Thank you, Senator Groene. Other questions from the committee? OK. Thank you for being here.

**JON CANNON [00:58:31]** Thank you, ma'am. Take care.

**LINEHAN [00:58:33]** Next proponent. Are there any other proponents?  
Opponents? Good afternoon.

**TIMOTHY McCOY [00:58:54]** Good afternoon, Chairwoman Linehan and members of the committee. My name is Timothy McCoy, T-i-m-o-t-h-y M-c-C-o-y. I'm the deputy director of the Nebraska Game and Parks Commission at our headquarters building in Lincoln, Nebraska. I'm here to testify today in opposition to LB829 representing the Nebraska Game and Parks Commission. The mission of our agency is stewardship of the state's fish and wildlife, park and outdoor recreation resources in the best long-term interests of both the people and those resources, and an important part of that is sustaining adequate levels of fish, wildlife, and park resources in order to provide consumptive and nonconsumptive recreational opportunities. We think it's important that the committee understands the history of our agency's payments in lieu of taxes. Prior to 1976, there were no statutes regarding in-lieu-of-tax payments on any lands owned by the commission, which follows under the Constitution of Nebraska regarding property of the state and its subdivisions shall be exempt from property taxation unless the Legislature imposes or authorizes payment of property taxes or in lieu of taxes. The payment in lieu of taxes in Section 37-355 was created in 1976 by LB861 in conjunction with the creation of the habitat stamp. That new statute required that we make payments in lieu of taxes on any new lands acquired for wildlife management areas commencing January 1, 1977. Part of the reason for that is the habitat stamp was created with a purpose of increasing the amount and quality of wildlife habitat in the state, and part of the funds were to be used to acquire new WMAs. When those initial requirements were made, the payments were for an amount equal to what the seller had paid the year prior to our acquisition. That was changed in 1997, changing to the current requirement that still maintained that it was-- the property was-- was held at-- in the status that it was prior to our purchase but-- but pays the same assessed value as all those civil or classified lands. So currently for the lands we acquire for wildlife management purposes since 1977, we pay in, in lieu of taxes, that are based on that agricultural use, that is-- those vary and go up based on assessed valuation, just like all the other taxes-- property taxes have, just same as those lands would have been if they were in-- continued to be in private ownership. And we make those in-lieu-of-tax payments to the county for that

amount each year. The other thing is by fixing the valuation, when we purchase land that has cropland and return it to grass, that continues to be taxed at the cropland rate for the in lieu of tax-- the valuation. That requirement also requires payment in lieu of taxes on any private lands-- lands we acquire, which includes those by gift. In terms of the habitat stamp, part of that-- part of that law was-- was intended to do-- really it-- it-- it split into really, I'd call them, three buckets of spending. One of them, it was targeted to provide additional-- charge the agency to provide additional areas for habitat purposes and outdoor recreation, also to-- another third of those funds for increasing management and another third targeted toward working with private landowners for habitat development and also with other entities that owned lands that were-- that-- that could-- that were interested in wildlife habitat development. Now beyond the value they bring to our users, placers-- places to hunt, fish, and recreate do bring an economic impact and add value to the communities surrounding the areas that we manage. Our latest estimates statewide of the annual economic impact of hunting, fishing, and wildlife viewing in Nebraska is \$1.89 billion, including \$1.28 billion in retail sales and supporting over 16,000 jobs. We know that outdoor recreational users often travel for their activities and spend dollars in local communities for lodging, fuel, and food. We also know from our surveys that 75 percent of our deer hunters, 67 percent of upland hunters, and 57 percent of waterfowl hunters are looking for public-accessible land for them to recreate for their sport. WMA lands are open to all of the public at no charge. These areas are very valuable to the millions of park visitors that we host, including hunters, fishermen, birdwatchers, hikers, mushroom hunters, kayakers, and a host of other outdoor recreational users. I see my yellow light is on, so I will wrap it up there. But the reason that the payment-in-lieu-of tax statute started the way it did was it was really tied in, as-- as I believe-- I wasn't there-- a deal regarding the acquisition of new lands and ensuring that there was some payment of in-- in lieu of tax on those wildlife lands.

**LINEHAN [01:03:51]** Thank you. Questions? Senator Groene, then Senator Friesen, then we'll go on.

**GROENE [01:03:56]** Well, what money do you use to buy the land, that-- that game tax?

**TIMOTHY McCOY [01:04:00]** We use-- typically we use habitat cash funds. We also are able to use wildlife and sport fish restoration funds. Those are Pittman--

**GROENE [01:04:08] Federal money or--**

**TIMOTHY McCOY [01:04:08] It's Pittman-Robertson funds. Those come back to the state. They are federal excise taxes paid on hunting equipment-- in terms of wildlife, hunting-- hunting equipment, ammunition, and firearms.**

**GROENE [01:04:21] So what happens if-- if Ted Turner came to you and said, as long as you call it-- I mean, change that, Turner State Park Grasslands Park. Could you-- can you stop him?**

**TIMOTHY McCOY [01:04:33] We'd have to come to the Legislature to be able to accept the gift because the--**

**GROENE [01:04:37] Oh, you do?**

**TIMOTHY McCOY [01:04:37] Yeah, we-- any-- any gift of--**

**GROENE [01:04:40] When-- when you come in front of the--**

**TIMOTHY McCOY [01:04:40] Yeah, I believe any gift-- I'm trying to remember the gift statutes on property. I think it's any gift of property over \$10,000 has to come and either be approved by the entire Legislature or by the Executive Board.**

**GROENE [01:04:53] What about if you decide to sell some property? Who regulates that?**

**TIMOTHY McCOY [01:05:00] We would have to go through-- we go through-- we've done it with other pieces. We go through the state. We have to go through the state surplus process. Initially, we would-- having it would go through description with our board of commissioners and have them take an action to surplus the property. And we have surplus properties. We have others we're still-- we are working on right now. Most of those are smaller, very disjunct properties that-- that don't serve, you know, very well the needs of the wildlife or our-- our users.**

**GROENE [01:05:31] Well, I think I have two examples where I thought it was used very well. Up at Arnold they had a little state park and you turned it over to the**



city, and then Pressey, you abandoned it. Those were well used in my area, but how do you decide what isn't used and what is? Because I've been to some other parks, and there's nobody there.

**TIMOTHY McCOY [01:05:50]** Well, we-- we still manage-- we still own it-- still own and manage Pressey.

**GROENE [01:05:54]** But it-- you weren't taking care of it. You--

**TIMOTHY McCOY [01:05:57]** Well, we're taking--

**GROENE [01:05:57]** Or have you changed that?

**TIMOTHY McCOY [01:05:58]** We're taking care of it as a wildlife area and I think that's one of the differences that we hear and that-- that, you know, it's not used. It's not-- you know, we do some grazing on it, we do some cropping on it, but we're doing it with that-- trying to keep that public benefit in mind and provide the best wildlife habitat we can.

**GROENE [01:06:16]** Hunting instead of the camping.

**TIMOTHY McCOY [01:06:18]** Yeah.

**GROENE [01:06:19]** Right.

**TIMOTHY McCOY [01:06:19]** Oh, you're talking about the campground at Pressey.

**GROENE [01:06:21]** Yeah.

**TIMOTHY McCOY [01:06:23]** Yeah. Yeah, there-- it's still there, but it-- it got damaged a couple of different times in-- in storms.

**GROENE [01:06:29]** Thank you.

**LINEHAN [01:06:30]** Thank you, Senator Groene. Senator Friesen.

**FRIESEN [01:06:32]** Thank you, Chairwoman Linehan. So does the payment in lieu of taxes, does that ever go up or is it just frozen at the time that you purchase the ground?

**TIMOTHY McCOY [01:06:40]** Oh, it goes up. I didn't get to it, but I'll find it. So right now, if you look at what we paid ten years ago, we paid a little over \$500-- \$514,000 in in lieu taxes.

**FRIESEN [01:06:57]** OK.

**TIMOTHY McCOY [01:06:58]** Currently, we're paying a little over a million. That has risen. I think if I looked at the year-over-year increase and calculated it correctly, which could be wrong, it's about 65 percent increase in the last ten years.

**FRIESEN [01:07:10]** Do you get part of the Property Tax Credit Relief Fund too?

**TIMOTHY McCOY [01:07:13]** We do not, because we do not pay taxes, because we pay in lieu of taxes.

**FRIESEN [01:07:15]** Oh, right.

**TIMOTHY McCOY [01:07:15]** So we are-- we're not eligible for those sorts of credits.

**FRIESEN [01:07:20]** So if you-- you own ground, OK, anybody can access it for free to walk on it, but you do charge for hunting, you do charge people for grazing it?

**TIMOTHY McCOY [01:07:34]** If we have-- yeah. When we use tenants for-- if we use tenants for grazing, we actually usually use a-- we use a process. We will do it-- we will do public bids, although we-- we try to-- we try to provide some benefit to adjacent-- adjacent neighbors or existing tenants that have done grazing in other areas. You know, part of our grazing is usually a shorter season. We try to make sure that animals are out of there before the hunting season starts because it eliminates a lot of potential conflicts both for us and the-- and the grazer.

**FRIESEN [01:08:06]** So if you're-- if you're-- are using it and you're charging for making money or you're making some revenue off of it, shouldn't it be taxed like a commercial property?

**TIMOTHY McCOY [01:08:19]** I don't have a good answer for that, but I can-- part-- part of it is we're still providing that underlying public benefit. We're not giving up all control of that property for a year, as are most leases.

**FRIESEN [01:08:30]** Well, I mean, if I was running a commercial property, I'll let people wander around in the hotel lobby and-- but I'm still going to be charging for the rooms of people that stay there, but that doesn't make it a tax-exempt status for it if I'm making money. You still have access.

**TIMOTHY McCOY [01:08:46]** Yeah, you still have public access and-- and-- and-- and we believe other public benefits, but-- but I can see your point.

**FRIESEN [01:08:54]** OK. Thank you.

**LINEHAN [01:08:55]** Thank you, Senator Friesen. Senator Kolterman.

**KOLTERMAN [01:08:57]** Thank you, Senator Linehan. Thank you for being here today. So if we started taxing you on all this extra land that you own, what would that do to your business plan for the-- the people that like to come here and the-- the citizens that are buying licenses and permits and-- how much would you have to raise that to offset the cost of what you're going to have to pay for taxes?

**TIMOTHY McCOY [01:09:26]** Well, I'm not exactly sure. And-- and you'll see that in our estimates in the-- in the fiscal note in terms of the range of potential expenditures. The table at the bottom was-- on the fiscal note on the front page was put together by the fiscal analyst. We're looking at two different things. The-- the first number that's the lowest number was based on if they are-- based on the estimates, which are all estimates of the lands that we currently own that we don't pay property taxes on if the valuation, which is a question mark, was similar to the current valuation for these other properties. We're not sure what the impact of highest and best use would be. I think there could be some variation by counties on that. I don't know that all counties have a recreational ground tax and if they would tax us under that, part of it might depend whether we are using it for its agricultural purposes. So that's-- that's why the-- the range of expenditures is,

you know, from \$543,000 to an additional \$200-- \$2.4 million. How we pay for those would cause obviously a big discussion shift in our agency, how we would manage our business plan relative to probably both expenditure of habitat funds and in-cash funds. We always prioritize the payment of our in-lieu-of-tax payments. I know there are other federal entities that don't do that. And those counties sometimes get some of their money and sometimes get the full allotment, but it's-- it's a lot smaller and I know that's an issue.

**KOLTERMAN [01:11:09]** So the other-- the other question I would have is-- I've had the pleasure of going to different states where they-- where you pay an entry fee or, you know, if you're not a state resident, you pay a higher fee to utilize hunting or fishing. Every place you go has fees. How many states that you're aware of charge property taxes for those state lands that are owned? Do you-- do you have any feel for that at all?

**TIMOTHY McCOY [01:11:39]** I don't have a great feel for that. I-- I think there are some that do. They call them different things, which makes it a little challenging in trying to actually get clear records of exactly how they do it and how they adjust it, was challenging. I didn't bring any information on it just because we were having trouble getting comparable information from various states around-- around the country and around our-- actually adjacent states.

**KOLTERMAN [01:12:08]** Thank you.

**LINEHAN [01:12:09]** Thank you, Senator Kolterman. Senator Groene.

**GROENE [01:12:12]** I didn't see you here testifying for LB974 because you guys will get a nice tax cut, won't you?

**TIMOTHY McCOY [01:12:18]** What's that?

**GROENE [01:12:19]** That bill, LB974, the property tax relief bill passed, you don't know anything about it?

**TIMOTHY McCOY [01:12:24]** Oh, I-- I know about it, but--

**GROENE [01:12:26]** If that passed, you'd get a nice tax cut, wouldn't you?

**TIMOTHY McCOY [01:12:29] Potentially. I--**

**GROENE [01:12:31] Thank you.**

**TIMOTHY McCOY [01:12:31] But, yeah, we-- we weren't-- we weren't trying to weigh in on that end of it.**

**GROENE [01:12:35] All right. Thank you.**

**LINEHAN [01:12:37] Thank you, Senator Groene. Other questions? Senator Briese.**

**BRIESE [01:12:39] Thank you, Senator Linehan. Thank you for your testimony here today. Do you know what your annual revenue is from habitat stamps?**

**TIMOTHY McCOY [01:12:45] Our annual-- I do. Our annual-- our-- last year's revenue in 2019 was a little bit over \$3 million.**

**BRIESE [01:12:53] How about for hunting licenses, all categories?**

**TIMOTHY McCOY [01:12:58] Oh, I didn't bring that with me.**

**BRIESE [01:13:01] Any ballpark?**

**TIMOTHY McCOY [01:13:03] I would-- boy, the ballpark-- the-- the number I have, I can't split out in my head because it includes our fishing permits and all of our stamps.**

**BRIESE [01:13:11] Well, that-- that's good.**

**TIMOTHY McCOY [01:13:12] And that-- but I would be glad to--**

**BRIESE [01:13:14] But don't-- yeah, fishing and hunting, how's that sound?**

**TIMOTHY McCOY [01:13:17] Fishing-- fishing and hunting, I-- I believe that it's close to \$16 million.**

**BRIESE [01:13:26]** So we're talking maybe \$20 million from those two sources alone and the top end of the fiscal note is about two and a half.

**TIMOTHY McCOY [01:13:31]** Yeah.

**BRIESE [01:13:34]** OK, thank you.

**LINEHAN [01:13:36]** Thank you, Senator Briese. Are there other questions? I'm going to get more-- going to follow where Senator Briese, I think, is going. What's your annual budget?

**TIMOTHY McCOY [01:13:46]** Our annual budget right now is-- is about \$98 million for our operating budget.

**LINEHAN [01:13:55]** And you said you pay about a million dollars in property taxes.

**TIMOTHY McCOY [01:13:58]** Correct.

**LINEHAN [01:14:01]** How many acres do you own total? This talks about what you own. Maybe it's in here, I'm not seeing it. Thirty-seven thousand, almost 38,000 before 1977, but--

**TIMOTHY McCOY [01:14:11]** We-- we own in total-- in terms of wildlife management areas, we own a total about 110,000 acres. We also own, I believe, about another 36,000 or 38,000 acres that are in state parks.

**LINEHAN [01:14:28]** So I-- that probably answers this question. When you say no charge, you have no charge for the wildlife areas. You do charge for state parks.

**TIMOTHY McCOY [01:14:36]** We have no entrance fees for wildlife management areas. We do charge for-- for, you know, hunting-fishing permits. But those are-- you don't have to have one of those. We have hikers, birdwatchers, all sorts of other people that use our wildlife management areas.

**LINEHAN [01:14:52]** And this-- all these acres are over and above any federal lands, like you were talking about Halsey National Forest or Niobrara. Is Niobrara federal in acres?

**TIMOTHY McCOY [01:15:04]** There's very little-- yeah, there is some-- the Niobrara Nat-- National Wildlife Refuge.

**LINEHAN [01:15:09]** OK. And that's over and above these acres.

**TIMOTHY McCOY [01:15:12]** Yes. These are only acres that we-- that we own. We have other lands that we manage for other partners, like, you know, several of the Nebraska Public Power District lakes, Bureau of Reclamation lakes, Central Public Power and Irrigation. We have areas that we manage that are also those-- you know, that we manage under an agreement that are called wildlife management areas, but we don't own them.

**LINEHAN [01:15:36]** And they pay you to manage them.

**TIMOTHY McCOY [01:15:38]** No. Normally, we man-- we-- we have long-term agreements with most of those that we manage. We manage those for the outdoor recreation aspects because it's not in the purviews of those entities to do it. And so we-- we actually, I know with Central, with one-- at least one of their areas, there is actually a lease involved where we pay them. And part of that's related to part of those lands have-- have cropland on them, but those are not owned by us, so they aren't-- I mean they are-- they're owned by Central.

**LINEHAN [01:16:11]** But you're managing.

**TIMOTHY McCOY [01:16:12]** Yeah.

**LINEHAN [01:16:12]** It stretches out your management.

**TIMOTHY McCOY [01:16:14]** Yeah.

**LINEHAN [01:16:15]** OK. All right. Thank you. Those-- those are helpful. Any other questions from the committee? Senator Groene.

**GROENE [01:16:21]** By where I live, Lake Maloney, so does the NPPD own that land where the park is or do you own that land on the east side there--

**TIMOTHY McCOY [01:16:32]** I know Lake--

**GROENE [01:16:33]** --where all the camping is?

**TIMOTHY McCOY [01:16:33]** Yeah, we-- that is owned by NPPD. We manage the park--

**GROENE [01:16:40]** So you get the--

**TIMOTHY McCOY [01:16:40]** --and pay for the infrastructure and all that.

**GROENE [01:16:43]** Yeah, you-- you-- you get the camping fees and the park entrance fees--

**TIMOTHY McCOY [01:16:46]** Yes.

**GROENE [01:16:46]** --so there is some revenue on some of those.

**TIMOTHY McCOY [01:16:49]** Yeah, there is-- there-- there is revenue on parts of that.

**GROENE [01:16:51]** Is that the same in Lake-- Lake "Mac"?

**TIMOTHY McCOY [01:16:55]** Yes. Yeah. Yeah, on the park side, there's entry fees that are charged, the vehicle entry fee and then any camping fees.

**GROENE [01:17:05]** A Game and Parks official has the same power-- policing powers of State Patrolmen, do they not?

**TIMOTHY McCOY [01:17:14]** Our law enforcement, yeah, our law enforcement officers do have the-- have the-- have the same powers; they go through the same academy. However, they-- we try to maintain our-- they main-- try to maintain their focus on-- on fish and Game and Parks law issues and not-- but if they-- if they see something that is unsafe, they will get involved in that. They get called for mutual aid a lot. A lot of our rural counties, it's a big part of what they--

**GROENE [01:17:41]** But who patrols the beaches at Lake "Mac", county sheriff, you, or the State Patrol?



**TIMOTHY McCOY [01:17:46]** The Game and Parks Commission does. We at times get assistance from the State Patrol, but normally when they assist, they will be in one of our vehicles with one of our officers in a two-man team.

**GROENE [01:17:58]** So you're the ones issuing and hopefully that drunkenness and alcohol citations there at Lake "Mac"?

**TIMOTHY McCOY [01:18:05]** We get good assistance from the State Patrol and the county sheriff in some of those cases where it's a very large group.

**GROENE [01:18:11]** Apparently it isn't enough.

**TIMOTHY McCOY [01:18:14]** We're still trying to work on some ways to-- to resolve some of those issues and to maybe get some better access control.

**GROENE [01:18:21]** So you're trying to give more enforcement instead of taking away people's enjoyment of the beach and the--

**TIMOTHY McCOY [01:18:27]** Yeah. Yeah, we do have a-- we do have a bill to-- in our-- we have a deficit request, excuse me, to create five new law enforcement officers.

**GROENE [01:18:36]** In that region?

**TIMOTHY McCOY [01:18:37]** Yeah, with a target of-- of people that are close to that region and also people that-- that we will have travel there especially for those busy weekends when the big problems happen.

**GROENE [01:18:48]** Have you heard also from people that if you had the presence there, instead of reacting to incidents, that you might not have as many incidents?

**TIMOTHY McCOY [01:18:59]** Well, it's a-- it's-- some of the incidences that we deal with are groups of people that seem fine at about 7:00 at night and by about 11:00 at night are not fine anymore.

**GROENE [01:19:13]** All right. We're not blaming you. We just think more law enforcement--

**TIMOTHY McCOY [01:19:14]** Yep

**GROENE [01:19:14]** --would help the economy out there instead of cutting down on [INAUDIBLE] Thank you.

**LINEHAN [01:19:21]** Thank you, Senator Groene. Other questions from the committee? So you get state appropriations too?

**TIMOTHY McCOY [01:19:28]** We do. We get about 12 percent of our agency budget from state-- from state appropriations; 88 percent is paid for by user fees. We're a little unique in terms of a state agency that most-- most fund-- the funding that we utilize is a lot based on user fees. Grant funds that we're able to get, like the Wildlife and Support Fish Restoration, to assist in our mission.

**LINEHAN [01:19:50]** And are your fees based by statute or by-- do you-- do you decide what the fees are or does-- does the Legislature decide?

**TIMOTHY McCOY [01:19:58]** The Legislature decides on most-- on near-- on all of the permit fees. Senator McCollister is smiling. He-- he helped us several years ago when we made an increase in all of our fee caps. We do have the ability that the Legislature can either set the fee or set a cap, and then we have-- we can move up to that cap. There are-- there are statutory requirements that we can't exceed, no more than 6 percent a year, no more than, I think, three years that could be combined if we haven't made an increase to make a-- you know, a-- a big increase is like 18 percent, but that's very substantial.

**LINEHAN [01:20:37]** Thank you. Other questions? Thank you very much for being here. Are there any--

**TIMOTHY McCOY [01:20:43]** Thank you.

**LINEHAN [01:20:43]** --are there any other opponents? Good afternoon.

**KRISTAL STONER [01:21:06]** Hello, Chairperson Linehan and respected members of the Revenue Committee. My name is Kristal Stoner. It's spelled K-r-i-s-t-a-l S-t-o-n-e-r. I'm the vice president of the National Audubon Society and executive director for Audubon Nebraska, which is a state office of the National Audubon

**Society. I'm here today on behalf of the 12,000 members of Audubon Nebraska to voice my opposition to LB829. To give you a little background, the National Audubon Society is a conservation organization with a focus on birds and their conservation, but also to bring awareness to the condition of our environment in ways that Nebraskans can be pro-- proactive and make good changes to benefit birds, natural resources, our economy and our communities. Audubon Society members have long understood the value of our natural resources. These are areas that are important to have to explore, to view birds, to recreate, to exercise and connect with Nebraska's natural resources. Nebraska is private-- primarily a privately owned state. Only 3 percent of our land is available for public recreation use, yet outdoor recreation is a thriving and growing industry. Annually the impact in the state of Nebraska of fishing, camping, wildlife viewing, hunting adds about \$2.64 billion to our state economy, and this is often in our rural economies, every year. Beyond the economic benefits that we see from this outdoor recreation, research has demonstrated time and time again that the more time you spend outdoors, the healthier you are physically, as well as mentally. And I just bring these points up to emphasize that what the Nebraska Game and Parks is providing us in terms of our natural resources often have a value that's very difficult to put an economic or numerical value on. And the other thing to keep in mind is that the maintenance and stewardship of Nebraska's natural resources is not free. So we heard Tim McCoy talk a little bit about his budget and how much goes into managing these recreation areas and also to make sure that they're providing public access so that folks are able to use these areas. This bill would dip into an already lean budget that the Nebraska Game and Parks Commission uses to steward our natural resources and provide public access. I would say that the Game and Parks is already paying in-lieu-of-tax payments on wildlife lands, which we've heard is about a-- about a million dollars every year. And the system works. The system, the way it's working right now, is functioning quite well. Taxes are being paid the same as they would have been if it was owned by a private landowner. The existing system is relatively straightforward in that it doesn't necessarily change. There isn't the complexity of what is a best use and that could be applied very differently between counties. So this could potentially add an undue administrative burden in terms of administrating this change county by county every year. So perhaps more important and immediate, the proposed legislation would divert funds that are needed to manage and restore our natural resources on both public and private land. And restoring and maintaining our natural areas and habitats statewide is a public service and beneficial to all Nebraskans. So with that, thank you for consideration of my testimony.**

**LINEHAN [01:24:33]** Thank you very much. Are there questions from the committee? Senator Friesen.

**KRISTAL STONER [01:24:36]** Yes.

**FRIESEN [01:24:36]** Thank you, Chairwoman Linehan. So when you buy a hunting license, you have to buy a habitat stamp. You buy a fishing license, you have to get a habitat stamp. If you're a bird watcher, would it be too much to ask to have to buy a habitat stamp to have access to all those grounds that they're managing?

**KRISTAL STONER [01:24:55]** Well, I don't know that it would be too much to ask, but I would say that it's certainly something that the constituents of Nebraska appreciate. And I think there's been a lot of ways of investigating how the folks that are benefiting from this, you know, especially the bird watchers and folks that are able to access all of these areas for free, you know, a stronger way that we could all contribute to that natural resource. Certainly lots of bird watchers go to the state parks often because they have much higher level of amenities. Wildlife management areas often just have a parking lot. So many bird watchers go to those state park areas that have parking lots and restroom facilities and stuff like that, so there they are paying that fee. So would it be too much to ask or not? I don't know. But currently, the system isn't set up to be able to accommodate that and there's not a very easy regulation system in place in order to make that happen. Does that make sense?

**FRIESEN [01:25:51]** Yeah. OK. Thank you.

**LINEHAN [01:25:52]** Thank you, Senator Friesen. Senator Briese. Oh, Senator Groene.

**GROENE [01:25:56]** Senator Friesen makes a good point. I mean, we got this-- they've done a good job advertising. I've driven by them for years. Cranes, people come from all over. They don't pay anything for the management of those cranes. I mean, there's a lot of money involved keeping that population up and game wardens out there making sure people shoot them because in Kansas, you can eat them, you can shoot them. Why shouldn't we? And hikers, I mean, you know, I had a game warden one time-- my son and I-- road hunters were going by, but I

was out in the middle of the field walking. I had a game warden walked all the way out there and check me. And why couldn't they check hikers if they've paid their access fees when they're out there hiking? I mean--

**KRISTAL STONER [01:26:42]** Well, I think-- I don't know that the folks of Nebraska who are enjoying wildlife management areas would necessarily be opposed to it. But I would say that they certainly enjoy and value what the state of Nebraska is providing, you know. I mean, they are-- they are managing our public trust, and I think folks really value that. And that's certainly something that across the nation, there are places that are free and there are places that are not free. It's highly variable across the nation.

**GROENE [01:27:11]** I know if you go on the Appalachian Trail, you pay a fee, don't you? I believe.

**KRISTAL STONER [01:27:17]** I think only if you camp. I was out there recently. I don't think there was a fee to enter. I think it was a fee to a camp.

**GROENE [01:27:24]** Well, I mean, I'm not criticizing.

**KRISTAL STONER [01:27:25]** Yeah.

**GROENE [01:27:25]** I'm just looking at more revenue opportunity because, let me tell you, when I used to hunt, before my back went bad, I-- I took a lot of hikes and really didn't get anything shot, so.

**KRISTAL STONER [01:27:34]** Um-hum, yeah.

**GROENE [01:27:34]** But I was paying to be out there and I just-- one last question. I don't want to run all day, but do you guys own land?

**KRISTAL STONER [01:27:41]** We do. We own about 2,000 acres at two different locations at Rose Sanctuary, which is out by Gibbon, and Spring Creek Prairie, which is just south of Lincoln.

**GROENE [01:27:51]** And that-- that's involved with the cranes, too, the one of them is, the--

**KRISTAL STONER [01:27:54]** The one out at Gibbon, yes, that's right-- right on the Platte River and it's where all the sandhill cranes land.

**GROENE [01:27:58]** And I appreciate you give people access, but do you pay taxes on that?

**KRISTAL STONER [01:28:02]** We do pay taxes.

**GROENE [01:28:03]** Thank you.

**LINEHAN [01:28:05]** Thank you, Senator Groene. Are there other questions from the committee? Seeing none, thank you very much for being here. Are there other opponents?

**JERRY McDONALD [01:28:15]** Good afternoon.

**LINEHAN [01:28:22]** Good afternoon.

**JERRY McDONALD [01:28:22]** Chairman Linehan, committee members, thank you very much for your time. My name is Jerry McDonald, J-e-r-r-y M-c-D-o-n-a-l-d, and I am the Pheasants Forever and Quail Forever senior regional representative of eastern Nebraska, and I'm here to represent Nebraska Pheasants Forever and Quail Forever. We have 62 chapters in the state and we have over 10,000 members. And as you were going around saying where you're from, we have a fundraiser in pretty much every one of those counties, so we sure would like to invite you to come on out to one of our Pheasants Forever/Quail Forever fundraisers. Maybe I'll be MCing it that day. I'm not sure. But I'm here to testify in opposition of LB829 and-- and Mr. McCoy and Ms. Stoner made some excellent points, so I'm going to keep it brief today. But we believe this bill would create significant budget concerns which would take away valuable dollars for conservation and wildlife habitat management, including upland game. The Nebraska Game and Parks Commission-owned properties are utilized by the public for many outdoor activities such as birdwatching, hiking, fishing and hunting. The public use of these lands generates more dollars coming into rural areas, boosting local economies. The bill would put more constraints on the budget to manage these lands for quality public experiences, decreasing their use. Because of these reasons above, Pheasants Forever is opposed to LB829. Thank you for your time. I appreciate it.

**LINEHAN [01:29:52]** Thank you very much for being here. Are there questions?  
**Senator Briese.**

**BRIESE [01:29:55]** Thank you, Senator Linehan. You know, when you said you have a fundraiser in every county, I wish we had some pheasants in Boone County, but anyway--

**JERRY McDONALD [01:30:02]** Boone County is Sunday. Come on out to the banquet, appreciate that.

**BRIESE [01:30:04]** I'll try to be there. But obviously the folks you represent are impacted by user fees, correct?

**JERRY McDONALD [01:30:12]** The people I represent, Pheasants Forever members?

**BRIESE [01:30:15]** Yes.

**JERRY McDONALD [01:30:15]** Yes, pretty much my--

**BRIESE [01:30:16]** Licenses, access fees, etcetera, etcetera.

**JERRY McDONALD [01:30:19]** License--

**BRIESE [01:30:19]** If I understood the testimony earlier correctly, I think I heard 88 percent of the budget is funded by such items. I should have maybe asked Mr. McCoy that.

**JERRY McDONALD [01:30:27]** That is Nebraska Game and Parks, not Pheasants Forever.

**BRIESE [01:30:31]** Yes--

**JERRY McDONALD [01:30:31]** Yes.

**BRIESE [01:30:32]** --the Game and Parks. And so if my math is right, to fund the totality of the fiscal note, you know, you might be talking a 3 percent increase in

those fees. Is a 3 to 5 percent increase in fees, is that problematic for Nebraska outdoorsmen and people that want to access these facilities?

**JERRY McDONALD [01:30:51]** Everything, money and budgets are tight. Anytime anything goes up, it's going to have an effect on some people is what I would believe.

**BRIESE [01:30:59]** OK. OK. Thank you.

**LINEHAN [01:31:00]** Thank you, Senator Briese. Are there other questions from the committee? Senator Groene.

**GROENE [01:31:04]** It's my only chance and I'm not-- never will be on the Natural Resources Committee, so this is my only chance. Why don't we have any pheasants? Is it the-- I mean, I got a place in Custer County. It used to be the hunting capital of the world, all the movie stars. I haven't heard a rooster crow within-- I haven't heard a rooster crow in probably a couple years.

**JERRY McDONALD [01:31:25]** You say Custer County?

**GROENE [01:31:27]** Yeah.

**JERRY McDONALD [01:31:27]** Broken Bow?

**GROENE [01:31:28]** Well, west-- east of there.

**JERRY McDONALD [01:31:30]** Well, that-- that's a good question. And there's a lot of factors associated with having pheasants and having quail. Weather has a big part to do with it. Pheasants Forever is a habitat organization, so we believe the more habitat, the better opportunities we have. You know, land practices are pretty clean these days versus back in the days when we were young kids, where it was weedy cornfields and every farmer owned 40, 60, 80 acres. Now every farmer owns thousands of acres and up and back, a mile back and forth.

**GROENE [01:32:01]** I understand all that, but is it-- does the-- all them-- the bird watchers watching chicken hawks and owls and stuff have a little bit to do with that too?



**JERRY McDONALD [01:32:11]** Predators play a big part of it, but habitat is the number one. If we had more habitat, we'd have more birds. And we're just-- need more habitat. We need to partner with Game and Parks with more wildlife management areas to get people outside. Really that-- Mother Nature is a big part of it. The snows and the floods didn't help this past year.

**GROENE [01:32:30]** Well, I mean, it's getting to be where you got to go look forever before you see a pheasant, so I don't know. The trend isn't going the right direction.

**JERRY McDONALD [01:32:36]** They're out there. We've got a lot of Pheasants Forever members that do own land that-- that make their land for habitat, specially for upland birds, and they have great success doing that, they do.

**GROENE [01:32:46]** I'll take a tour of one someday, if you will put one together, find out what I have to do to get a bird to live on my--

**JERRY McDONALD [01:32:51]** I'd love to do that. Yep, we'll get the biologists out there in Broken Bow, around that area, and we'll go out and we'll drive some land.

**GROENE [01:32:58]** Thank you.

**LINEHAN [01:32:58]** Thank you, Senator Groene. Are there other questions from the committee? Thank you very much for being here.

**JERRY McDONALD [01:33:03]** Thank you for the time. Appreciate it.

**LINEHAN [01:33:03]** Next proponent-- no, opponent. I'm sorry. Opponent, any? Anyone wanting to testify in a neutral position? OK. We have letters for the record on LB829. Its proponents: Steve Nelson, Nebraska Farm Bureau. Opponents: Scott Smathers, Nebraska Sportsmen's Foundation; Mark Stutterheim, Nebraska Chapter of the National Wild-- I think it's supposed to-- Turkey Federation; John Denton, Ducks Unlimited; Stu Luttich-- I can't say that-- Audubon Society; Bruce Kennedy, Nebraska Wildlife Federation. No one wrote in, in the neutral position. So thank you, Senator Erdman. Would you like to close?

**ERDMAN [01:33:46]** Thank you. Thank you for your time and consideration today. I listened to the conversation and the testimony. The young lady from the

**Audubon Society said the system is working, why do you want to mess with it? Well, it's working for some people; it's not working so well for those who pay, the taxpayer. And you heard how much economic development, how much revenue is generated by hunting and the people that travel here and do those things. But I got bad news for those people, is that economic development funds that come in when they stay at the res-- eat at the restaurant or stay at the hotel, those ranchers and those farmers that are paying these property tax, they don't get any of that. It doesn't mean anything to those people. It's strange to me that an agency of the state has a lobbyist. This organization has a lobbyist, so does the university. Those are always peculiar to me. So where is the lobbyist for the taxpayers, for those ranchers and farmers who are paying more taxes? Where is that lobbyist? He's sitting right here. That's why I brought this today. This is a tax relief bill. Senator Briese pointed out the fact that 88 percent of the \$98 million budget come from fees. It's 3 percent, if that's the case. They bought that land in Sioux County to raise more wildlife, to have more habitat, so the ranchers and the farmers in Sioux County could have more wildlife destroying their property and eating their crops with no restitution. The system-- she's right. The system does work for them. It doesn't work for those people paying the taxes. The economic development may be good for the community, may be good for the city. It doesn't do squat for those people that are paying the taxes. So they buy more land to raise more wildlife to cause more problems. There's plenty of room in their habitat stamp, there's plenty of room in their budget to figure out how to pay for this. I am not opposed to wildlife management. I'm not opposed to hunting. OK? What I am opposed to is taxing people out of business. We have talked and talked and talked about property tax relief and we say this: We didn't get here overnight; we didn't get into this predicament overnight. That's right. This is how we got there, one little step at a time. He did not comment or explain to you exactly why those properties procured before 1977 shouldn't pay taxes; he talked to you about the statute, when it was changed and why it was changed, but he didn't say why they shouldn't pay on the Peterson Wildlife Management that's right next to the land they're going to pay. Doesn't make any sense. And so as-- as we think about it, it's a great opportunity for outdoor recreation, whatever, and if we're paying for it, it's a great deal. They need to step up and pay, add a little more fee, Senator Briese, whatever it takes. Maybe-- maybe this: Maybe you don't buy more land and you use that donation from the Environmental Trust to pay some property tax, to manage the properties you currently have, because they don't do the best job in the world managing. I can tell you that. Lake McConaughy is a great example. And they get an appropriations, and so we take care of them, all**

right? But by the same token, we need to take care of those people paying the property tax. This is a chance for us to do that. And so what I'm asking you is, let's get some property tax relief for those people who are paying. I don't think it's too much to ask. Thank you.

**LINEHAN [01:38:02]** Thank you, Senator Erdman. Are there any questions from the committee? Seeing none, thank you very much for being here today. Appreciate it.

**ERDMAN [01:38:08]** Thank you. Appreciate it.

**LINEHAN [01:38:08]** And that closes our hearing-- hearing on LB829 and we'll open the hearing on LB930. Welcome, Senator Briese.

**BRIESE [01:38:14]** Thank you, Chairman Linehan and members of the committee. Come today to present LB930, a simple bill. All it does is create a statutory minimum in the Property Tax Credit Fund of \$275 million, which is what-- is what we're currently appropriating. But it also requires that, quote, money that-- that if any money is transferred or credited to the Property Tax Credit Fund pursuant to any other state law, such amount shall be added to that statutory minimum. And I-- I put that in there essentially because it's my understanding the Ho-Chunk tribe, in conjunction with the Horsemen's Society, is putting together a casino proposal to be on the ballot, putting casinos in racetracks in Nebraska. I've seen it suggested, and the state's share of those dollars, supposedly around 70 percent of the net profit, I think is going to be taxed at 20 percent. I'm not extremely familiar with what's going on there, but those dollars, 70 percent of those dollars are supposed to be directed towards the Property Tax Credit Fund. And this is an effort essentially to ensure that those dollars are in addition to what we would otherwise appropriate there, because I think, you know, the scholarly material out there will tell us that, you know, efforts to fund education or to fund tax relief with gambling revenue typically don't work very well. Those revenues get siphoned off to a different-- a different need and don't really yield education funding or gam-- or property tax relief or tax relief in general. And so this is an effort to try to ensure if-- if that effort is successful, if that happens, that the intent of the taxpayers, the will of the voters is recognized and those dollars actually do yield property tax relief. And so simple, straightforward-- I hate to say simple and straightforward because in this body nothing is. But anyway, it seems that way to me that it should be, but that's about it. And in addition to that, I've

got that gray slots proposal to tax the gray slots. I think we're going to hear that next week. Probably doesn't get to the floor. But-- but that bill directs-- directs the revenue to Property Tax Credit Fund, and that's another place where it would help ensure that it stays there and adds to what we currently appropriate, if it would get to the floor and it would pass. So with that, I'd be happy to answer any questions.

LINEHAN [01:40:55] OK. All right. Senator Groene.

GROENE [01:41:00] So, Senator Briese-- thank you, Madam Chairman. So-- so right now, the 275 isn't in statute? It-- the last \$51 million was less than appropriation?

BRIESE [01:41:08] I-- I don't think it's in statute, no specific [INAUDIBLE]

GROENE [01:41:10] Yeah, because I don't see you crossing out anything.

BRIESE [01:41:13] Yeah. Yeah, that's right.

GROENE [01:41:13] So it was just the appropriation.

BRIESE [01:41:16] Yeah.

GROENE [01:41:16] So what you're going to do is put it into statute that-- like the prior, the 224 was in statute.

BRIESE [01:41:23] Yes. Yeah, and I don't know how important it is to have that minimum in there because once we have it appropriated a certain level, it's going to be awful hard to take that down, you know, not going to be a whole lot of political will to do that but--

GROENE [01:41:33] Do we--

BRIESE [01:41:33] But I think it's still good to have it in there, but mostly this is an effort to ensure any other dollars are going to be in addition to that, reduce the temptation to say, well, we did 275 last year, we got this other \$50 million coming in from some outside source, we can reduce it down to 225 and the taxpayer still got 275 and--

**GROENE [01:41:52]** But why didn't you strike the word "intent"? Because anytime they put the word "intent," it's not guaranteed.

**BRIESE [01:41:58]** Well, maybe it should be stricken.

**GROENE [01:42:00]** Yeah. It still says it is the intent of the Legislature to fund the Property Tax Credit Act for tax years after tax year-- so--

**BRIESE [01:42:08]** Yeah, that's-- I didn't look at that, yeah.

**GROENE [01:42:10]** It doesn't say "shall."

**BRIESE [01:42:14]** No, should-- should be-- should be [INAUDIBLE]

**GROENE [01:42:14]** No matter what you do, if the appropriations--or the Governor decides he ain't going to put it in there--

**BRIESE [01:42:19]** Yeah, yeah.

**GROENE [01:42:19]** We do that a lot. We cover it up by the word "intent."

**BRIESE [01:42:23]** Yeah, that's right, which we like [INAUDIBLE]

\_\_\_\_\_ [01:42:23] It says "shall" there.

**GROENE [01:42:24]** So if we get this out of committee, we'll-- we'll get an amendment. Thank you.

**BRIESE [01:42:27]** Yeah, so.

**LINEHAN [01:42:29]** Thank you, Senator Groene. Are there other questions from the committee? Seeing none, thank you very much. Proponents. Thank you.

**JOHN HANSEN [01:42:52]** Madam Chairman, members of the Revenue Committee, for the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I am president of Nebraska Farmers Union. We are in support of LB930. We think it is helpful to give as much direction as possible that the money

that is-- that the \$275 million is intended to be on the Property Tax Credit Fund, if there is additional monies put in, that that is in addition to that, and that it-- it says something positive about-- excuse me-- the commitment of the Legislature on property tax reform and relief. And I know that there is a lot of different views of the Property Tax Credit Fund, but from our point of view, it's the best mechanism that we know of that actually gets property tax relief to everybody. And so ag gets it, commercial gets it, residential gets it, and that there is a sharing of the benefits, and I think that that represents, from our perspective, good policy. So with that, it's Friday afternoon. I'd end my comments and answer any questions, if you have any.

**LINEHAN [01:44:11]** Thank you, Mr. Hansen. Are there any questions from the committee? Senator Groene.

**GROENE [01:44:15]** Does it bother you at all that because the ag valuations are going down, this is shifting away from ag? I believe from the 2017 where it was 224, since-- since that first time we put 224 in it, the next 51, only \$10 million went to ag. Does that concern you that that's the future of the Property Tax Credit Fund, it keeps shifting?

**JOHN HANSEN [01:44:44]** Well, somewhat, yeah, I think we-- I think the percentage we used to get was about 45. I think we get about 42 percent now goes to ag. And so as-- as values go up, as values go down, you know, you-- you-- you get and you take, and so there's some advantage in the valuations going down, so we get less money. But there's also some advantages to the valuations going down, not-- oh, there's-- it's not across-the-board advantages, but there's-- there's some, so--, but, yes, I-- I just think that you-- you-- you live-- you live with the-- with the reality of valuations.

**GROENE [01:45:29]** But I believe the big shift hasn't been ag land going down; it's been massive growth in-- in residential.

**JOHN HANSEN [01:45:36]** I think residential and commercial going up has gone up faster than ag land has gone down.

**GROENE [01:45:42]** Thank you.

**LINEHAN [01:45:43]** Thank you, Senator Groene. Are there other questions from the committee? Seeing none, thank you very much for being here.

**JOHN HANSEN [01:45:48]** Thank you very much.

**LINEHAN [01:45:49]** Yes. Other proponents? Are there any other proponents? Any opponents? Any opponents? Let's go quickly.

**NICOLE FOX [01:46:09]** Good afternoon, Madam Chair Linehan and members of the Revenue Committee. I'm Nicole Fox, N-i-c-o-l-e F-o-x, and I'm here today to testify in opposition to LB930. The Platte Institute certainly appreciates the intent of this legislation, which is to codify the state's commitment to how much it pays in place of local property taxes. We agree that the state is capable of taking a much larger role in reducing property taxes and that the state should certainly not be moving in the opposite direction. However, we oppose the Property Tax Credit Relief Fund because it has proven to be ineffective at reducing property taxes. Our position has been that the fund should be replaced with more completely-- complete property tax reform plan that's more structural in nature that permanently reduces local property taxing authority. Though the credit may be well intended and it is considered a guaranteed source of relief for agriculture, the Legislature spent more than \$2 billion since the fund was created in-- in 2007. In return, property taxes have increased by nearly \$2 billion-- \$2 billion a year. Total property taxes in 2007 were about \$2.5 billion. Today, they are nearly \$4.4 billion. If we stay on this track for another ten years, we're going to spend nearly another \$3 billion sending money to local political subdivisions and still have higher property taxes than we did the years before. Encouraging the Legislature to make the property tax credit a permanent fixture means senators can continue to lay and-- to delay and filibuster property tax reform, throw insignificant increments of money at the fund when they feel they need to, and then call it a job well done even though it solves nothing. Meanwhile, property taxes in Nebraska will still rise at an unsustainable rate. Thank you and I'd be happy to take any questions.

**LINEHAN [01:47:56]** Thank you. Are there questions from the committee? Thank you. It was good testimony. Other opponents? Anyone wanting to testify in neutral position?

**ALEX SERRURIER [01:48:21]** Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Alex Serrurier, that's A-l-e-x S-e-r-r-u-r-i-e-r, and I'm the Weitz Fellow at OpenSky Policy Institute. I'm here today to testify in a neutral position on LB930. We understand the pressing issue of property taxes throughout the state, and we believe that the Property Tax Credit Fund is an important tool for reducing the taxes of Nebraska homeowners. However, we also believe that the Legislature cannot achieve sustainable property tax reductions without finding a way to raise new revenue. While the Property Tax Credit Fund provides important relief, we're concerned that requiring a minimum amount of funding could tie the hands of future Legislatures. Furthermore, if revenues come in below forecast and the Legislature is unable to fully fund K-12 education, in order to fulfill a minimum funding requirement of the property tax credit program, local taxes will increase. In the past, members of this committee have noted that the Property Tax Credit Fund is distributed based on land valuation rather than on taxes paid, meaning that it provides relatively less relief to real property owners residing in high-tax counties. Using the most recent data available in the 2018 Property Assessment Division's annual report, we've completed initial modeling on how the credit would change if it were distributed based on taxes paid rather than valuation. Residential and commercial taxpayers with a total levy above \$1.94 would benefit from this change. In 2018, the four counties with an average total levy above \$1.94 were Lancaster, Douglas, Sarpy and Scotts Bluff. Assuming that the property tax credit program continues to value agricultural land at 120 percent for the purposes of distributing the funds between ag and nonag taxpayers, ag taxpayers with a total levy greater than \$1.22 would benefit from this change. In 2018, 57 of the 93 counties in Nebraska had higher average total levy than \$1.22. We'd be happy to provide further details about our work on this topic to any interested senators. Thank you so much for your time and truly for all the work you do for the state. I'd be happy to answer any questions.

**LINEHAN [01:50:36]** Yes. Thank you. Senator Kolterman.

**KOLTERMAN [01:50:39]** Thank you, Senator Linehan. Would you read the first part of your statement again, something about us not funding education?

**ALEX SERRURIER [01:50:47]** I stated that if revenues come in below forecast and the Legislature doesn't fund K-12 education to the extent they intend to, that localities may raise property taxes, which would mean taxes would-- would rise.



**KOLTERMAN [01:51:02]** Do you know of a time when we haven't funded education properly?

**ALEX SERRURIER [01:51:08]** I know that we haven't met the intention, the intent of funding TEEOSA, but I don't know details in terms of the amounts or the specific years.

**KOLTERMAN [01:51:21]** OK. Thank you.

**LINEHAN [01:51:22]** Other questions from the committee? You said you're the fiscal analyst for OpenSky?

**ALEX SERRURIER [01:51:28]** I'm a Weitz Fellow at OpenSky--

**LINEHAN [01:51:30]** A Weitz Fellow.

**ALEX SERRURIER [01:51:30]** --so I'm a year-long fellowship.

**LINEHAN [01:51:32]** OK. OK. But do you work on the fiscal?

**ALEX SERRURIER [01:51:36]** I do. I work on the fiscal side of things.

**LINEHAN [01:51:38]** OK. So I'm going to ask kind of a follow-up on Senator Kolterman's question. I'm sorry, does somebody else have questions and I'm jumping in front of you? Could you define "fully fund education" for me?

**ALEX SERRURIER [01:51:55]** I know there's a certain amount of--

**LINEHAN [01:51:57]** What is it?

**ALEX SERRURIER [01:51:58]** Funding education-- funding TEEOSA to the extent that--

**LINEHAN [01:52:03]** Well, what is it?

**ALEX SERRURIER [01:52:03]** --we intend to.

**LINEHAN [01:52:04]** That's what I'm looking for. What is that number, or a number per student?

**ALEX SERRURIER [01:52:08]** I'm not sure.

**LINEHAN [01:52:08]** Give me that number.

**ALEX SERRURIER [01:52:11]** I'm not sure. I'd have to talk to our--

**LINEHAN [01:52:13]** I think it would be very helpful if we'd all agree on what number that is, because no matter what we do, it seems we're not fully funding it. We're like chasing an elusive-- so--

**ALEX SERRURIER [01:52:26]** I understand what you're saying.

**LINEHAN [01:52:27]** OK. So then in your testimony about Property Tax Credit Fund, I'm not aware-- maybe I'm misunderstanding something. Are you saying that the Property Tax Credit Fund has something to do with levies?

**ALEX SERRURIER [01:52:41]** Oh, I'm saying that if we altered the system that we curr-- currently the Property Tax Credit Fund is paid based on land valuation.

**LINEHAN [01:52:49]** Right.

**ALEX SERRURIER [01:52:49]** So I'm saying if we changed it to be paid based on property taxes paid, that it would benefit people in high-tax counties or high-tax areas because they're paying more money relative to the valuation.

**LINEHAN [01:53:04]** Right. OK. I didn't understand but--

**ALEX SERRURIER [01:53:05]** Sorry.

**LINEHAN [01:53:05]** --I do. That is correct. OK. Thank you. Are there other questions from the committee? Thank you very much for being here.

**ALEX SERRURIER [01:53:10]** Thank you so much.

**LINEHAN [01:53:12]** Anyone else? Was that neutral? Anyone else want to testify in the neutral position? OK. We have letters for the record. Proponents: Ken Herz, Nebraska Cattlemen; Dan Nerud, Nebraska Corn Growers Association; Steve Nelson, Nebraska Farm Bureau; Bill Thiele, Nebraska Dairy Association; Shane Greving, Nebraska Soybean Association; John Csukker, Nebraska Pork Producers; Bob Delsing, Wheat-- Nebraska Wheat Growers; Bob Hallstrom, Nebraska Federation of Independent Businesses; Kevin Cooksley, Nebraska State Grange. Opponents: none. Neutral: none. Thank you. Would you like to close?

**BRIESE [01:53:54]** Yeah, just very briefly. Don't have much, but it's no secret I like the Property Tax Credit Fund but it-- [LAUGHTER]

**LINEHAN [01:53:59]** Do you?

**BRIESE [01:54:01]** Surprise, surprise.

**LINEHAN [01:54:03]** I'm shocked.

**BRIESE [01:54:03]** But-- but-- but to me, maybe more importantly, I think this is a way to lock down any new revenue so it doesn't escape us. Doesn't mean to say that we can't talk about repurposing-- repurposing it someday for the right-- for the right reasons. But anyway, that's all I've got.

**LINEHAN [01:54:19]** I have a question, but it's unfair because I don't like this. Can you take-- sorry, yes-- take Platte Institute's testimony to Chairman-- yes, Chairman Briese-- Senator Briese.

**GROENE [01:54:36]** Can I ask a question while you're doing it?

**LINEHAN [01:54:37]** Does anybody else have questions for-- yes, Senator Groene.

**GROENE [01:54:42]** Senator Briese is a lawyer. You're always a fair man. Do you think we ought to change it to how many taxes you pay instead of the valuation?

**BRIESE [01:54:49]** No. No, because that's more like a refundable tax credit and if you do it that way, then the state is ponying up a percentage of everything that is spent and that encourages and incentivize locals to spend more. They can say, state is picking up 5 percent, 10 percent, 15 percent, let's go. Refundable income

**tax credit is a set amount; it doesn't change based on what is spent. So I-- I used to be a fan of a refundable income tax credit. I'm not any longer as I've thought about it, but--**

**GROENE [01:55:18] Thank you. I happen to agree.**

**BRIESE [01:55:20] And I was-- I think-- I think it's poor policy to tie our rebate into actually what is spent.**

**GROENE [01:55:26] This is a serious question again. I still believe we need to-- it doesn't need to be in there. It is the intent of the Legislature to fund the Property Tax Credit Act for tax years after the tax year of 2008 using available revenue. That's open-ended, isn't that-- isn't that statement--**

**BRIESE [01:55:42] Yes.**

**GROENE [01:55:43] --open-ended that it doesn't-- it doesn't say-- it doesn't say prior to year 2017. The amount of relief granted under this act shall be \$224 million-- million dollars. It-- it-- that line doesn't need to be in there, does it?**

**BRIESE [01:56:03] Not really, but-- but the new language does say "shall" be.**

**GROENE [01:56:06] No, but so did the language prior to that.**

**BRIESE [01:56:11] OK.**

**GROENE [01:56:11] I think that gives the Appropriations Committee the ability to-- it-- the intent that it shall be.**

**BRIESE [01:56:18] Yeah.**

**GROENE [01:56:18] I mean, for safe-- for-- for good policy reason, that's-- it's unnecessary language, isn't it?**

**LINEHAN [01:56:24] We can-- can we do this in Exec?**

**BRIESE [01:56:26] Well, could-- could-- yeah, probably so.**

**GROENE [01:56:27] Thank you.**

**LINEHAN [01:56:29] No, it's a legitimate concern. It's just in Exec maybe--**

**BRIESE [01:56:31] Yeah. Yeah. No I-- I don't disagree.**

**LINEHAN [01:56:38] Other questions for Senator Briese? I just, for the record, I want to say this. So in the fourth paragraph of the Platte Institute's testimony, this is one of the problems I think we have when I-- with property tax credit and why when some say that's all we need to do this year, why it doesn't work. The Legislature has spent \$2 billion since the fund was created in 2007. In return, property taxes have increased by nearly \$2 billion. Total property taxes in 2007 were \$2.5 billion. Today they are \$4.4 billion.**

**BRIESE [01:57:12] Yep.**

**LINEHAN [01:57:12] So just taking care of one side of the ledger on this property tax thing, as some are suggesting--**

**BRIESE [01:57:18] Yeah.**

**LINEHAN [01:57:18] --it seems it just change-- it does the same thing the refund does, just does it in a different way.**

**BRIESE [01:57:26] Yeah, but LB974 is structural reform and that--**

**LINEHAN [01:57:27] OK.**

**BRIESE [01:57:27] --that should be the goal.**

**LINEHAN [01:57:29] Any other questions? Thank you very much, Senator Briese, and with that, we close the hearing on LB930. Our last hearing on a Friday, and we're at 3:30, is our dear friend, Senator Andrew La Grone. Would you open on LR284CA.**

**La GRONE [01:57:58] Thank you, Chairwoman Linehan, and thank you, members of the Revenue Committee. I'm State Senator Andrew La Grone, A-n-d-r-e-w L-a G-r-o-n-e. I represent the 49th Legislative District, which is Gretna and northwest**

**Sarpy County. So this is a bit of a unique hearing. I actually did not introduce LR284CA. It was introduced by Senator Brewer. I was an original cosponsor because I thought it was important for this committee, as it considers our tax code as a whole, to consider income taxes as part of that-- that discussion. Senator Brewer took his name off, which then the bill fell to me. So I wanted to ensure it did have a hearing, though, to make the point that our tax competitiveness as a state, when we're considering that, we need to consider income tax as a part of that. So this is something that probably shouldn't be in a CA. I-- if it was-- if I had written it, I would have put it into statute, so take that for what it's worth. But I would point out that information from the Tax Foundation, which I can get the committee, indicates that half of the states that have above 3 percent GDP growth, which is really where you need your GDP growth to be to continually ensure that you're adding jobs not just-- to really maintain the level of employment that you have-- obviously we don't really have an employment problem in Nebraska. We have a workforce problem. But you're usually looking for that 3 percent growth. Half the states that have it right now have a zero percent income tax. So I wanted to bring-- still bring this before the committee to ensure that income tax was part of the conversation when we're talking about the competitiveness of our overall tax code, and with that, I'd be happy to answer any questions the committee might have.**

**LINEHAN [01:59:33] Thank you, Senator La Grone. Are there questions from the committee? Senator Friesen.**

**FRIESEN [01:59:37] Thank you, Chairwoman Linehan. So down the road, what do you think the odds of me supporting an income tax cut are if we've tied to property tax relief?**

**La GRONE [01:59:47] If you've tied it to property tax relief? Well, I would like to point out, Senator Friesen, I know this isn't a direct answer to your question, but I support property tax relief as well as income tax relief.**

**FRIESEN [01:59:57] So, I mean, I-- I get the growth. I mean, but isn't it overall tax burden--**

**La GRONE [02:00:02] Yes.**

**FRIESEN [02:00:02]** --that prevents growth? If you want to look at the big picture when we're trying to grow, it's, you know, some tax here, some tax there, but that's that total amount we keep spending to provide the services.

**La GRONE [02:00:15]** So I would-- I would say yes. And I would add that I think our whole tax code isn't really competitive right now. And that's why I wanted to make sure this got a hearing, was because I thought that we shouldn't just be focusing on one tax, whether it be property tax, sales taxes, income taxes. We need to look at it as a whole. And I think income taxes need to be a part of that conversation. I 100 percent agree that we need property tax relief. I think it's the most important issue out there right now, which is why I'm wholeheartedly supporting LB974, but I wanted to still bring this to the committee to make sure income taxes were a part of that conversation.

**FRIESEN [02:00:47]** Thank you.

**LINEHAN [02:00:48]** Thank you, Senator Friesen. Any other questions from the committee? Seeing none, thank you very much.

**La GRONE [02:00:53]** Thank you.

**LINEHAN [02:00:54]** Are there any proponents?

**NICOLE FOX [02:01:09]** Good afternoon.

**LINEHAN [02:01:11]** Good afternoon.

**NICOLE FOX [02:01:11]** Madam Chair, members of the Revenue Committee, Nicole Fox, N-i-c-o-l-e F-o-x, from the Platte Institute. And like Senator La Grone mentioned, we understand that right now when it comes to property taxes we're at a crisis situation here in the state and we, too, support property tax relief, but we think it's very important to talk about income taxes because they, too, are burdensome to Nebraskans. The concept behind Senator La Grone's proposed amendment aligns with policies used in many states that are benefiting from economic opportunities and at Nebraska's expense. The top states Nebraska loses income to are Texas and Florida, which have no personal income tax. The rest of the leading states, Arizona, Colorado and Missouri, have lower income taxes. Last year, five of the ten fastest-growing states in terms of numerical

populations and four of the ten fastest-growing states in terms of percentage population growth were states that did not have personal income taxes. If voters approved LR284CA, the Legislature would need to provide an alternative funding source for the state. For example, the Legislature could implement a broad-based tax-- sales tax similar to South Dakota, which has no personal or corporate income tax. Voters in two states have passed amendments prohibiting personal income taxes. In Texas, 74 percent of voters approved a constitutional ban on personal income tax, and 66 percent of voters in Tennessee approved a similar measure. And other states, like Washington, Nevada and North Carolina, have constitutional provisions prohibiting a limiting-- prohibiting or limiting income taxes. It should be noted that these prohibitions are easier to-- for states to adhere to if they never adopted a personal income tax to begin with. There are also cultural and economic differences between Nebraska, Texas and Tennessee that may cause people to have different views on the usefulness of state income taxes. In 1968, 64 percent of Nebraska voters opposed an amendment somewhat like LR284CA, and while times have certainly changed, that may indicate that this measure would not necessarily be guaranteed to be approved by voters in Nebraska. Nonetheless, it's worth considering the relative economic and fiscal performance of states that have adopted income taxes around the same time as Nebraska and afterwards compared to states that never got on board with income taxes. You might say Nebraska has relatively been lucky since our peers are states including Illinois, New Jersey, Connecticut and Rhode Island, while Texas and Tennessee's peers include Florida, Nevada and Washington. The difference in taxation, migration and fiscal strength between these states is stark. Many of our peers adopted income taxes with the premise that property taxes would be reduced, and now most of these states rank among the highest for-- for taxation overall and suffer from outmigration. With that, I will conclude my testimony, and I've also included a map here from the Tax Foundation about the adoption of income taxes.

**LINEHAN [02:04:08]** Thank you very much.

**NICOLE FOX [02:04:09]** Any questions?

**LINEHAN [02:04:09]** Are there questions from the committee? Senator Brieze.



**BRIESE [02:04:13]** Thank you, Senator Linehan. Thank you for your testimony here today. Expansion of the sales tax base to fund income tax relief, is that a tax shift?

**NICOLE FOX [02:04:22]** Well, if-- it would have to be done in a revenue-neutral manner, so it--

**BRIESE [02:04:29]** OK. Is it easier to expand the sales tax base to fund income tax relief than it is to expand the sales tax base to fund property tax relief in this state?

**NICOLE FOX [02:04:39]** I would-- based on my experience, I would say most definitely, yes.

**BRIESE [02:04:43]** And why is that?

**NICOLE FOX [02:04:44]** Well, I think right now, I mean, property taxes is driving the discussion, but-- you look like you're going to say something else.

**BRIESE [02:04:51]** No, no, go ahead.

**NICOLE FOX [02:04:52]** I mean, at this point, I mean that's what-- you know, that's what we're hearing. Research, though, shows that income taxes, you know, if you look across the country, income taxes are the most detrimental, though, to-- to-- to economic growth.

**BRIESE [02:05:07]** OK. But either one could be characterized as a tax shift.

**NICOLE FOX [02:05:11]** Well, I mean, we-- we support the idea of broadening the base, making sure it's done in a revenue-neutral manner.

**BRIESE [02:05:17]** OK.

**NICOLE FOX [02:05:17]** So, I mean, we're not saying tax something else in-- in lieu of.

**BRIESE [02:05:24]** OK. Thank you.

**LINEHAN [02:05:25]** Thank you, Senator Briese. Other questions from the committee? Seeing none, thank you very much for being here. Thanks for the map. Are there other proponents? Are there any opponents?

**JOHN HANSEN [02:05:47]** Again, Madam Chairman, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n, and I'm the president of Nebraska Farmers Union. Nebraska Farmers Union's policy, which is set by our members, gets into the characteristics of the state tax system. And as you look at the different characteristics of the different revenue sources, it reflects the studies that have been done on various revenue sources and tax systems and is consistent with that in that of all of the-- the-- in the effort to bring in the appropriate amount of revenue in order to provide services for-- for citizens, that you have to look at the characteristics of the revenue streams. And so we prefer income taxes. And the reason that we prefer income taxes is that it most fairly represents the ability to pay, and so it is the most progressive of the different revenue sources because of that. Property is, as we know, the most regressive because it least reflects the ability to pay. And so the fact that you own property does not necessarily mean that you are, in fact, making money. It means that you have property which has value, but it doesn't necessarily reflect the ability to pay your income. Sales tax, depending on how it's loaded, can be more or less regressive, based on how high the rate is and what is actually included. So when you get to income taxes, we can make them a little more or less progressive or we can overuse them, but they're still, as the three primary sources of revenue go, they are still the-- the most accurate reflector of ability to pay. The old saying is-- we've all heard it a million times-- if you're making it, you can afford to pay it. And so it is. And so as you look at our society as a whole, we're also concentrating more and more revenue in fewer and fewer hands. And so as we look at the characteristics of our state tax system, we think that we are nicely in the middle of the pack on income and sales, and we're completely out of whack on property. And that reflects our efforts this year and past years, and we think that also kind of says what I think most Nebraskans are-- are thinking. And the-- the one other point that I would make in opposition is that as other proposals have been before the Revenue Committee this year, we really don't think it's a good idea to put into the Constitution tax policy or tax items. It is the responsibility of the Legislature to do tax policy and to manage taxes. And so when you start putting stuff in the Constitution, it really mucks up the whole ability of the tools in the toolbox and

**the ability of the Legislature to do their job. So with that, I'd end my remarks on a Friday afternoon, answer any questions if you have any.**

**LINEHAN [02:09:14] Thank you. Are there questions from the committee? So the Farmers Union is not supporting the 35 percent solution?**

**JOHN HANSEN [02:09:23] We do not have a position on that.**

**LINEHAN [02:09:25] OK.**

**JOHN HANSEN [02:09:26] We think that to the extent that we've discussed it, we've said that we far prefer the Legislature to do their job rather than to-- to go down that road.**

**LINEHAN [02:09:39] OK. All right. Thank you. Are there other questions? Thank you very much for being here.**

**JOHN HANSEN [02:09:43] You bet.**

**LINEHAN [02:09:56] Go ahead. Thank you.**

**TIFFANY FRIESEN MILONE [02:09:57] Good afternoon, Chairperson Linehan, members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e, and I am policy director at OpenSky Policy Institute. We're here in opposition to LR284CA because eliminating the income tax would exacerbate income inequality in the state, which undermines economic growth in the long term. States without an income tax have to either cut services like education and healthcare-- healthcare, or make up the revenue elsewhere. While some, like Wyoming and South Dakota, can do so by taxing natural resources, most have to turn to increases in sales and property taxes. For example, Tennessee has the highest sales tax rate in the nation, exceeding 9 percent, while New Hampshire has the highest effective property tax rates. Overall, the increase in other taxes required in no-income-tax states resulted in a higher cost of living for those states' residents, meaning they all rank worse for affordability than Nebraska, with all but two, Tennessee and South Dakota, in the bottom half of states. Because Nebraska doesn't have significant natural resources to tax, eliminating the income tax would likely result in increases to our sales and property taxes in addition to cuts to services. Both these types of**

taxes, however, fall disproportionately on low- to middle-income families who pay a greater share of their incomes on taxable goods and housing. Increasing these taxes would, therefore, increase the regressivity of our tax code and contribute to rising income inequality. According to the Institute on Taxation and Economic Policy, Nebraska currently ranks 36 in terms of the regressivity of our combined state and local taxes, and eliminating income tax would raise us to 11th nationally and go even higher if we increase sales of property taxes to make up for the lost revenue. I have some more, but it's been a long day, so I'm just going to truncate, and we're opposed to the constitutional amendment. If you have any questions, I'm happy to answer.

LINEHAN [02:11:46] Are there any questions from the committee?

TIFFANY FRIESEN MILONE [02:11:49] I saw you looking at your watch. I know when to cut it.

LINEHAN [02:11:52] Could you-- I would appreciate from OpenSky some answer to the-- I know it was the Weitz Fellow that was here, but some answers to what fully funding education means on a per-student--

TIFFANY FRIESEN MILONE [02:12:06] I mean, I think Connie is probably better suited for that question. I think in that context--

LINEHAN [02:12:08] Well, I'm just asking you-- I'm not asking you to answer that now.

TIFFANY FRIESEN MILONE [02:12:11] Oh, OK.

LINEHAN [02:12:11] I'm asking for some response from OpenSky to the question.

TIFFANY FRIESEN MILONE [02:12:16] Yeah, we can talk about it internally and come up with a response and give it to you.

LINEHAN [02:12:20] OK. That would be great.

TIFFANY FRIESEN MILONE [02:12:21] Yeah.

**LINEHAN [02:12:22]** Other questions? Thank you very much. Are there any more opponents to LR284CA? Are there any-- anyone wanting testify in neutral position? Letters for the record were, opponents: Joey Adler, Holland Children's Movement; Jenni Benson, NSEA; Kevin Cooksley, Nebraska State Grange. Neutral: none. Welcome back.

**La GRONE [02:12:48]** Thank you, Chairwoman Lin--

**LINEHAN [02:12:49]** Happy Friday. [LAUGHTER]

**La GRONE [02:12:51]** I'll be really quick. Just wanted to make two points. Again, this was-- I wanted to make sure this got a hearing for a discussion piece. And also, just as a point, I wouldn't support raising other taxes to decrease the-- I just wanted to make that point since that got brought up a few times, so--

**LINEHAN [02:13:08]** OK.

**La GRONE [02:13:09]** --that's all I have.

**LINEHAN [02:13:09]** All right. Any questions for Senator La Grone? Thank you very much.

**La GRONE [02:13:15]** Happy Friday.

**LINEHAN [02:13:16]** Happy Friday. With that, we bring-- close the hearings on LR284CA and close to a very long week.