

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 2, 2022

FOLEY: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the nineteenth day of the One Hundred Seventh Legislature, Second Session. Our chaplain for today is Senator Erdman. Please rise.

ERDMAN: Thank you, Lieutenant Governor. Let us pray. Father, we thank you for this day. We thank you for the privilege of being here. We thank you for being able to approach the throne of grace this morning with requests, and we request this morning that you would offer peace to the Clements family, that you would comfort them with only the peace that you can give. We appreciate Dwight and his life and the things that he contributed to that family. We just pray that he would be honored Saturday in the memorial. Thank you for that. Lord, also today we pray for those who are fearful. Our society today seems to be the most fearful I've ever seen. And when you have fear, then comes worry, and then comes anxiety. And our society has shown that we are fearful, we're worrying and we have a tremendous amount of anxiety. We know, Lord, that fear does not come from you and your word says that perfect love casts out all fear. So we pray that as we go through our day and the rest of this year and the rest of our life that we understand that trusting you is the answer and that we would not be fearful. Because Lord, when we worry, it's like being in a rocking chair. We're moving, but we go nowhere. And in Job, we see that Job said that things I feared the most have come upon me. So Lord, let us not be fearful, but also let us think on those things that are good, of good report, honest, pure and true. And we thank you for that, and we thank you for being here with us and giving us the wisdom to make correct decisions that honor you. In Jesus' name, amen.

FOLEY: Thank you, Senator Erdman. I recognize Senator Ben Hansen to lead us in the Pledge of Allegiance.

B. HANSEN: Colleagues, please join me in the Pledge of Allegiance. I pledge allegiance to the Flag of the United States of America and to the Republic, which it stands, one Nation under God, indivisible, with liberty and justice for all.

FOLEY: Thank you, Senator Hansen. I call to order the nineteenth day of One Hundred Seventh Legislature, Second Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

ASSISTANT CLERK: There is a quorum present, Mr. President.

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FOLEY: Thank you, Mr. Clerk. Are there any corrections for the Journal?

ASSISTANT CLERK: No corrections this morning.

FOLEY: Thank you, sir. Any messages, reports or announcements?

ASSISTANT CLERK: Mr. President, this morning, I have no messages, reports nor announcements.

FOLEY: While the legislation is in session and capable of transacting business, I propose to sign and do hereby sign the following resolution, LR287. Senator Arch would like us to recognize Dr. Han Dethlefs of La Vista, Nebraska, who is serving us today as family physician of the day. Dr. Dethlefs is with us under the north balcony. Doctor, if you could please rise. We'd like to welcome you to the Nebraska Legislature. Senator Clements, you're recognized for an announcement,

CLEMENTS: Thank you, Mr. President. I appreciate the opportunity to say a few words about my father. Dwight Clements was born January 19, 1920, and he died yesterday peacefully at home here in Lincoln. He was 102. Two weeks ago, today was his birthday and I got to take a picture with him that day and brought it along to show you. Dwight was a member of the greatest generation. In the 1930s, he was in high school as the banker's son. But at that time, it was a little different being the banker's kid. He told me of-- we-- we neighbors put our dimes together on the weekends to put some gas in my Model T so we could drive around on the weekends. He went to college here in UNL in 1938, but he had to drop out for a year because they couldn't save-- couldn't afford the tuition. He saved up for tuition to go back the next year. Then World War II interrupted college, and he ended up serving as a combat-- army combat engineer in France until the war ended in 1945. Then he came back and finished a law degree in 1947 and returned home to Elmwood and the-- the bank with his father, married my mom in 1948, and I was born in 1950. He was a good dad, but he had rules. An Army platoon sergeant expects orders to be carried out the first time they're given and didn't take me long to figure out he only wanted to say it once. But success never to him-- success at our house didn't mean riches and how much money you made, but it meant having a reputation of honesty and integrity, which he did. In 2008-- wanted to give you one example of what kind of a father he was. He wasn't overly, outwardly loving, but in 2008, I made a \$3 million loan. The bank couldn't handle it all so I invested \$800,000 of his money to fund it. He was in Arizona at the time, didn't even know I did that as

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power of attorney. The loan went bad and he lost it all. I called him in Arizona and he said, it's OK, we'll be all right. We'll get through this and that's all he ever said about it. He never did criticize me over it, but later he found out, figured out that he had enough money yet to live on. And he did say, that didn't cost me anything; it's coming out of your inheritance. [LAUGHTER] Yeah, it did. So dad and mom prayed for me and our family daily for the last 40 years, and I've been blessed by those prayers. Senator Chambers was even impressed by Dwight's 100th birthday two years ago, and he sent Dwight a birthday video at my request. And Dwight sent one back to Senator Chambers honoring Senator Chambers' knowledge of law and command of the English language. And so Senator Chambers and I had some good discussions about Dwight. He'll be laid to rest Saturday in Elmwood Cemetery with my mom, his father, his grandfather and his great-grandfather in that little cemetery. Dwight Clements is just an obscure small-town Nebraskan, like many others, but they're the ones who hold the state together. Thank you, dad. Thank you, Mr. President.

FOLEY: Thank you, Senator Clements. Members, we'll move on. General File 2022 senator priority bill, Mr. Clerk.

ASSISTANT CLERK: Mr. President, LB986 was introduced by Senator Briese. It's a bill for an act relating to revenue and taxation; to adopt the School District Property Tax Limitation Act; harmonize provisions; provide an operative date; repeal the original sections. Bill was referred to the Revenue Committee, placed on General File with committee amendments attached. The bill was considered yesterday. The committee amendments were offered as well as an amendment to the committee amendments from Senator Matt Hansen.

FOLEY: Thank you, Mr. Clerk. Senator Briese and Senator Linehan, if you'd like a couple of minutes each to get us refreshed and then we'll go to the speaking queue. Senator Briese.

BRIESE: Thank you, Mr. President. Morning, colleagues. LB986 would generally limit property tax-- school property tax asking increases to the higher of 2.5 percent or inflation. It would allow for a school board to bypass this when necessary by a 75 percent vote. Colleagues, this is my priority bill. I believe it accommodates the concerns of education. It's a very small step we can take in the name of property tax relief. It's a very reasonable step, and it can be an important cog in any mechanism to reform education funding. Thank you, Mr. President.

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FOLEY: Thank you, Senator Briese. Senator Matt Hansen, I'll give you a couple minutes also, but let's hear from Senator Linehan first from the Revenue Committee. Senator Linehan.

LINEHAN: Thank you, Mr. President. Good morning, colleagues. The amendment is just-- it becomes the bill and there was some changes that I went through on yesterday, including trying to use CPI over three years so you're-- avoid the spikes and also to make sure that any grants or donations to the school are not included. I just-- I want-- I know we're going to take this bill for a while. I just want to reiterate a couple of points here because I think maybe the conversation got sidetracked yesterday. This is an effort to ensure that the billion dollars we are now providing for property tax relief actually means property tax relief. We have committed \$313 million to the property tax credit fund. We've got over \$100 million going to the homestead exemption, \$548 million this year for the LB1107 tier two property tax credit, and next year, \$560 million. But unless we have some ability to slow the growth, it will disappear. So this is-- this is not trying to hurt anybody or tie somebody down, it's just-- it's just trying to make sure that the billion dollars we're now doing on property tax relief actually results in property tax relief. And we talked about a lid yesterday. This isn't a lid. A lid means, you know, you get there, you can't do anything. This is more like a warning flag. Seventy-five percent, three-quarters of a school board can-- to vote to go above it. So we're not tying anybody's hands here. Three-quarters of the school board can vote to go beyond the 2.5 percent, or CPI. We heard about people having an emergency. OK, you have an emergency. I think you'll probably get 100 percent of your school board to vote for it. I mean, most school board votes I see are already 100 percent. They work in tandem. They don't generally have big public fights and they decide. So there's-- we got way off yesterday what this bill actually does. It is-- it allows schools to grow. It allows for increases in student growth. It allows for increases in poverty, allows for increases in English language learners on top of the 2.5 percent or CPI. Everything we heard that would be a problem yesterday is not. It allows for all those growths and three-quarters of the school board can vote to go above it. So I think there's just been a lot of confusion about what this bill actually does. So I hope today that we can kind of work those confusing parts out. Thank you very much, Mr. President.

FOLEY: Thanks, Senator Linehan. Senator Matt Hansen, if you'd like some time to refresh us.

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M. HANSEN: Thank you, Mr. President, and I'll be brief on this amendment and speak more on my own time. My amendment, AM1716, strikes many of the operative provisions in this bill by striking section 3. Suffice it to say, from my perspective, I disagree with some of the characterizations of this bill so far, including that it is both necessary and both a limited or targeted bill. In my mind, it's very broad. It is worthy of further debate and discussion, which is why I've offered AM1716. Thank you, Mr. President.

FOLEY: Thank you, Senator Hansen. Turning now to the speaking queue. Senator Friesen, you're first.

FRIESEN: Thank you, Mr. President. So I think, too, we've-- we've kind of-- we've kind of gotten off track with this bill. I mean, when you look at what we have provided in property tax relief and what TEEOSA costs us today, there is no reason that the state doesn't impose some sort of logical controls on their spending. And again, if you read through the bill and you look at it, a simple supermajority of that board can exceed these limits. To me, that is not an onerous lid that they cannot live with, that's not workable. There are paths forward for those schools that do need to exceed this lid. It just puts a little bit more pressure on them to try and hold down spending so we don't see these huge increases while we're trying to provide property tax relief. So I think it's only fair that we can look at these, that we-- if there's a-- if there's anything else, I think Senator Briese has always talked about anything about compromise, but it looks to me as though that path forward with a supermajority vote is about as simple a bypass as you can get. It's not a vote of the people. You don't have to go to the ballot box. They don't have to cost money. There is a process built in. And when I look at this, it is not out of line. And I know we have inflation today. We don't know what that will be like two years from now, three years from now, but I think there's a process built in to take care of that. So I support this bill. I do not support AM1716. I do support AM1702 and I'm looking forward to a green vote on this bill. Thank you, Mr. President.

FOLEY: Thank you, Senator Friesen. Senator Matt Hansen.

M. HANSEN: Thank you, Mr. President, and good morning, colleagues. And let me be clear since we're starting off about the caps or the vote of the board being reasonable or giving them flexibility. For my school district, the 75 percent majority of the board can vote to go from 2 percent to 4 percent. It's not that you can vote to get rid of the-- of the-- of the limit at all, it's that you can vote to go to a very slightly higher limit and that's with a supermajority vote of the

board or a supermajority vote of the public. No simple majority. Nothing like that. You can go from 2 percent and 4r percent. And this raises an issue that we haven't talked about on the microphone yet today, is that this bill treats different classes of school districts pretty differently, specifically in allowing for this jump. So I'm reading from AM1707. I'm on page 4, starting on line 7. So this is the amount that that 75 percent, that simple vote the school board can do, what they can do. It can go up to 7 percent for school districts with an average daily membership of no more than 471 students, 6 percent for school districts between 471, but no more than 3,044 students, 5 percent for school districts with an average daily membership of more-- of 3,044 students, but no more than 10,000, and 4 percent for school districts with an average daily population of more than 10,000 students. So yes, you can vote to go above the initial limits in LB986 to slightly higher limits. So it's not getting rid of them entirely. It's not waiving them. It is still a limit that's right there and is going to be factored in again and again and again. Additionally, as we've said, as I just read, there are some different classifications in here that I don't think line up with the traditional school district classifications we have in the state. And, um-- and additionally treat school districts pretty differently in the sense that a growing school district like LPS who happens to fit in a large category has less wiggle room than school districts that aren't growing or, unfortunately, school districts that are shrinking. And that's the thing when we talk about this bill, we talk about this debate. We often use this hypothetical school district. We hold one up and talk about it like it's got the exact same number of students. It's got the exact same number of expenses. Nothing changes from year to year. So all we want to compare it to is inflation. All we want to compare it to is the CPI. We don't take into any account any sort of notion of growth or expansion or growth or expansion in the city, any of these things that could impact the school district. So in a city like Lincoln, a school district like Lincoln Public Schools that is growing pretty rapidly and as we saw in this past census, pretty rapidly compared to other parts of the state, it's going to be held to a harsher limit, a harsher limitation on its growth than a smaller school district that might not be growing at all. So we're going to allow smaller school districts that might not be growing at all more flexibility in their budget than one that has growth. See, that's a fundamental problem and to hand wave it away is saying the school board can vote. Yes, they can vote-- the school board can vote from one limit to a slightly different limit. It's not the great outcome either way. And the reason I want to talk about all this, kind of the broad things, we've heard both yesterday and we've kind of been

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alluded to already today that we need to pass some sort of property tax cap, some sort of school budget cap or whatever we want to call it. We need to pass a measure like this in order to change TEEOSA. And I want to be very clear, that's kind of an unusual demand or unusual threat to make because it's a group negotiating with themselves more or less. There's this insistence that to give school districts more money, we're going to have to take-- give less money to other school districts and act like that's like some sort of negotiated compromise. In my mind, it's people who represent school districts with significant amount of ag land--

FOLEY: One minute.

M. HANSEN: --rural schools are saying, hey, we both want to limit your growth and we want you to give us more money. And I don't see how that's a compromise or a proposal or like a genuine offer that many of us in Lincoln should entertain. It doesn't account for us at all in any way. And when we talk about it as if they are two prongs, it's the same side, it's the same position. It's the same area of the state, the same group of senators negotiating with themselves and leaving a lot of us out. I'm all on board with some sort of path forward, but I've made very clear that if you're going to cap Lincoln and not allow Lincoln to do the things what it's doing, I can't get on board. And if your offer is to cap Lincoln and then divert more money away from Lincoln and the school to TEEOSA, that's like a double negative for me.

FOLEY: That's time, Senator.

M. HANSEN: I don't see why I'd be on board. Thank you, Mr. President.

FOLEY: Thanks, Senator Hansen. Senator Briese.

BRIESE: Thank you, Mr. President. Good morning again, colleagues. I passed out a handout that shows some data for the last 12 years. It shows inflation growth from 2008 to 2020. Wage growth, same period. Property tax growth, same period. We see inflation rising about 20 percent during that period. Prices, we see wage growth of about 39 percent during that period, and we see property tax growth of roughly 67 percent. And I referred to that yesterday. It's unconscionable for us to allow that to happen. We shouldn't allow that to happen. We can't allow that to happen. And what I'm proposing here is one small-- small piece that can help us rein that in. I did want to go back to the amendment, and I think Senator Linehan did a great job explaining what the amendment does. But in last year's LB408, we made no

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provision for inflation, didn't think inflation was going to be an issue, but now it appears that it's reared its head. And so the green copy recognizes this and refers back to one year's worth of inflation. But what about, you know, a transitory type inflation or a inflationary pressures that vary from year to year? So in the amendment, we took a three-year average of inflation or of the CPI increase and factor that in as one of the parts of the formula. And that's very important here. I-- the first year we'd be doing this is in 2023 and according to the amendment, we would look at inflation from a period of June 2020 to June 2023. And if you're worried about the current surge of inflation we're seeing, that would take that into account. And so it would likely be somewhat maybe significantly higher than 2.5 percent, depending on what happens here. And as Senator Linehan indicated, we limited the definition of non-property-tax revenue because they heard concerns at the hearing about ARPA money, federal money, federal grants. We pulled that out of the definition of non-property-tax revenue. So how does this thing work? Somebody asked me that the other day. You know, first of all, you look at last year's property tax askings of a school district, but not including those amounts for bonds. And then you increase that by the highest of 2.5 percent or the three-year average CPI. Or if you have a quickly growing district, you can increase by 40 percent of that percentage growth or if you have an influx of ESL students or poverty students, take 25 percent of the percentage increase in those students attributable to ESL or poverty. Anyway you take the highest percentage of those five categories and increase the previous year's tax askings, not including bond repayment, by that percentage to arrive at a number. And then you look at the increases or decreases in state aid from the previous year and adjust the tax asking authority by the same amount. If state aid goes down, the tax asking authority goes up by a like amount and vice versa. I would submit to you, colleagues, this is a very reasonable accommodation to the concerns and interest of education. This is a small piece in our efforts to provide Nebraskans with property tax relief, but it can also help facilitate reform of education funding in Nebraska. And I would urge your support, and I certainly am opposed to Senator Hansen's AM1716, support of the revenue amendment and the green copy. Thank you, Mr. President.

FOLEY: Thanks, Senator Briese. Senator Linehan.

LINEHAN: Thank you. Senator Briese, would you yield for a couple of questions. Senator Briese--

FOLEY: Senator Briese, would you yield, please?

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LINEHAN: --would you yield for some questions?

BRIESE: Yes.

LINEHAN: So, Senator Briese, I'm looking at page 4 of the bill because there's been-- I think we're confused. Well, wait a minute. Wrong, not page 4, page 2. You have made-- so line 16, 17, started at line, the base growth percentage. You've made-- you've made an effort here, I think a good effort, to account for percentage of increase in student enrollment, have you not?

BRIESE: Yes.

LINEHAN: So how would that work? If they have more students than they had last year, what happens?

BRIESE: Yes, you would take 40 percent of that student growth. And so if you had 100 students and you grow by 10 percent, you would take 40 percent of that would be 4 percent and so your cap, so to speak, your limit, so to speak, would be 4 percent instead of 2.5 percent.

LINEHAN: That's a pretty big adjustment.

BRIESE: Yes, it is.

LINEHAN: OK. And then if you go to line 19, it says the percentage obtained by the first-- anyway-- English, it's about English limited, limited English proficiency. How does that work?

BRIESE: You look at the increase in those numbers and take that increase as a percent of the student population. For example, we had 100 students and your ESL population increased by 12, you would take 25 percent of 12 percent for 3 percent.

LINEHAN: And then the next one is if you have a total number of increase in poverty students.

BRIESE: Be-- that would be the same calculation there; number of poverty-- number of increase poverty students as a percentage of total enrollment.

LINEHAN: So I think there's some confusion because I think there was a statement made on the floor that you're not taking in consideration of growth, but you are, aren't you?

BRIESE: Yes, very much so.

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LINEHAN: And you're taking under consideration increases in English language learners or poverty students, right?

BRIESE: Yes.

LINEHAN: So what if it's a school district that's not only growing by students, but growing by houses and buildings and commercial properties? I'm thinking of Elkhorn. How does the bill address that growth? That would be on top of this, right?

BRIESE: Well, if it's growing, if you have an increase in housing and business growth, etcetera, that's going to be reflected in student growth. And so when it is reflected in student growth, it's going to be accounted for in this bill.

LINEHAN: OK, OK. So when you have the Benningtons and Elkhorns that are growing at leaps and bounds, there may be another school, but I think those are the two that are kind of off the charts since we build houses in my neighborhood, like ten a day. That will, as I've heard them say, it's basement, baby, kindergartner. That's how you're accounting for that. It'll be in their student growth.

BRIESE: Yes, very much so, because that will ultimately be reflected in enrollment growth. And that-- and that is where the school needs would arise. And that's what we're trying to account for and accommodate.

LINEHAN: And on the-- OK, now we'll go to page 4. So you-- you're allowing-- you're allowing growth as much as 7 percent with three-fourths of the school board, right?

BRIESE: Yes. And I think as currently drafted, I believe that is 7 percent on top of the 2.5 [percent] for inflation, actually.

LINEHAN: So is the 4 percent on top of the 2.5 too?

BRIESE: I believe-- as currently drafted.

LINEHAN: So you're allowing 6.5 percent growth in this bill if two-thirds of the school board decides-- in the biggest schools--

FOLEY: One minute.

BRIESE: Yes, I'd have to double-check the language, but yes, I believe that's true.

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LINEHAN: OK, thank you, Senator Briese. So I'm-- if we've got 7 or 6 percent growth and we can't agree that going back to Senator Briese's chart, which you know, picture is a thousand words. Really, folks, you need to look at this chart. Inflation over the last-- from 2008 to 2020 was 20 percent and-- but let's just ignore inflation. Forget about inflation since everybody says we can't talk about inflation. This we have to talk about. Total wage growth: 39 percent. So what people actually have to spend, total wage growth, money in their pocket, but yet their property taxes went up 66.8 percent. That's not-- it's not OK. And to address this, what have we done? Again, we have over the last four or five years, we've provided a billion dollars--

FOLEY: That's time, Senator.

LINEHAN: --in property tax relief.

FOLEY: Thanks, Senator Linehan.

LINEHAN: Thank you.

FOLEY: Senator Brandt.

BRANDT: Thank you, Mr. Lieutenant Governor. Thank you, Senator Briese for bringing LB986 and thank you, Senator Linehan and the Revenue Committee for AM1702. This is a canary in the coal mine. You take the canary into the coal mine and when the canary dies, it is time to get out. That's what this bill is about. This bill is simply a warning system. It is an early warning system. When that cap is exceeded, it is time for that board to take action. The action that that board can take, they can vote with a three-quarters vote to exceed the 2.5 percent cap, or they cannot. There's always two choices to be made. When I started here four years ago, the state had \$125 million in property tax relief in the property tax credit relief fund. Through the hard work of the Legislature and the Governor, that amount is now \$1 billion, or 20 percent of our state budget. The trend is sharply up over four years, and it benefits all taxpayers in the state. During the same time, TEEOSA has actually decreased down to about \$1 billion, or 20 percent of the state budget. The 84 schools that receive this equalization aid will-- it will continue to decrease because of increasing property valuations in the urban areas that are the schools that primarily receive this. And we have 159 schools, mainly rural, that receive little or no benefit from TEEOSA. This bill is good legislation that benefits Nebraskans through property tax relief. I

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support LB986, AM1702, and I would give the balance of my time to Senator Briese if he would like it.

FOLEY: Senator Briese, 2:55.

BRIESE: Thank you, Mr. President, and thank you, Senator Brandt, I appreciate that. And someone posed the question to me about what happens when state aid drops due to rising property taxes. Well, state aid doesn't drop due to rising property taxes, number one. State aid might drop due to rising valuations. And when that happens, the school district can recapture that drop in state aid from one year to the next. And that's what this system is designed to do to allow school districts to recapture lost state aid and protect their ability to educate our kids. Nobody in this body wants to shut down education or hamper the ability of education to do their job. Period. That's why I introduced this bill. And folks, some bills are eight-hour bills and some are not. And this isn't an eight-hour bill. If I wanted an eight-hour bill, I would have introduced LB987, or I would have brought LB987. I introduced LB987. It was patterned after last year's LB408, and I could have brought that to the floor and we'd have had probably eight hours-- an eight-hour discussion and we'd have had a close vote on it. But instead, I chose to bring LB986 here, a bill that addresses the main concerns of the education community, allowing this cap to rise to recapture a loss in state aid, and maybe more importantly, protects education even further by allowing this cap to be exceeded by a simple 75 percent vote of the school board. Now my question is, what more do they want? You know, colleagues, this is my priority bill. I believe it accommodates the concerns of education. It's a very small step that we can take in the name of property tax relief. It's a very reasonable step. And as I spoke up yesterday, it can be an important cog in any mechanism to reform education funding in Nebraska. If you're concerned about rising property taxes, concerned about the chart that I handed out--

FOLEY: One minute.

BRIESE: --and the growth-- thank you, Mr. President-- and the growth of tax, property taxes relative to everything else, I think-- I would submit that you should be supportive of this bill. Thank you, Mr. President.

FOLEY: Thanks, Senator Briese. Senator Dorn.

DORN: Good morning, colleagues. Thank you, Lieutenant Governor. A couple-- very much I appreciate the discussion this morning. Again, I

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appreciate some of the discussion yesterday morning. But last night when I left here, I guess some of the things I was confused on yet more than when we started, so appreciated Senator Linehan explaining and Senator Briese this morning that at least my understanding and somebody correct me if I'm wrong, but there's a 2.5 percent cap in here or the higher of that or three-year average of CPI. That can be overridden by a three-fourths or supermajority vote of the school board. Because yesterday, when I listened to the comments, I wasn't sure that that was exactly 100 percent in there. And today, at least by the comments here, that can. Would Senator Briese answer some questions or yield to some questions?

FOLEY: Senator Briese, would you yield, please?

BRIESE: Yes.

DORN: Thank you, Senator Briese. You talked this morning then again about, I call it the growth in a school. I want to take Lincoln, for example. You talked that what they could go, according to your number there, they could go up to 4 percent using a number, but I'm going to use Lincoln. My numbers aren't exact right. I'm assuming Lincoln has 40,000 students. If they grow by 500 students next year, which is what-- I don't know a number, but they grew by 500 students. Now what is their cap in this equation?

BRIESE: I believe in that example, I'd have to get my phone out to run it through the calculator, but I think the cap would still be 2 percent or CPI.

DORN: It would still be that?

BRIESE: I believe so.

DORN: Well, and that's--

BRIESE: I'd have to do the math on it.

DORN: Yeah, and the reason I'm asking is, still have some questions. Lincoln, what they told me was their student number would have to grow by more than 1,000. It would have to grow-- I don't remember exact number, 1,250 or something, to have that part of the equation, I call it, become what their new number would be. So that, I mean, yes, there is-- there is some allowable growth in it, but many of the schools would have to have what I call a high growth rate to have that part kick in or whatever. Is that correct?

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BRIESE: Yes, that is true. We didn't put in here one-for-one growth because that I believe would be overshooting the goal considerably.

DORN: OK.

BRIESE: These numbers we arrived at may have been some input from some folks in the education community, but-- and it might have been more so my office on these particular numbers. Some of these were clearly arrived with help from the education community, but-- but that one-for-one would be overshooting it in my vision-- in my view, I thought 40 percent is a good place to be. I'm kind of flexible on a couple of these percentages.

DORN: OK. Then the-- another question I've had for me is a supermajority vote of the school board. What exactly is there-- I know in the bill there is some equations in there as far as, you know, students of poverty and growth. If today they're capped, CPI doesn't kick in, and their cap is 2.5 percent, what could that school board vote to go up to?

BRIESE: As currently drafted, they could go 4, 5, 6 or 7 percent over that 2.5 percent, depending upon the size of the district. And those numbers were arrived at with some input from some folks in the education community.

DORN: So if I have a district out there and I don't remember exact numbers, but I saw that in the formula, if I had a 1,000 students and it said 5 percent, that school board could then vote to go that year up to 5 percent.

BRIESE: As I indicated to Senator Linehan a little while ago--

FOLEY: One minute.

BRIESE: --I need to look at the language, but I think 5 percent over the 2.5 or over the CPI.

DORN: OK, what happens-- you also have in there that if the unused authority for a year they can carry over to three years later, does that also factor into that part of the equation?

BRIESE: Yes. What they don't use could be carried over, and so it would allow 100 percent of it to be carried over.

DORN: So if they-- if they for some reason the number said they could be at 5 percent this year, 2.5 the next, and they only go to 2.5 this

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year, they can still carry that 2.5 over for a period of up to three years.

BRIESE: The-- the authority, I don't know if I understand your question correctly. We can talk off the mike, but the authority that they have that they do not utilize could be carried over.

DORN: OK, thank-- thank you very much. Thank you, Lieutenant Governor.

FOLEY: Thank you, Senators Dorn and Senator Briese. Senator Erdman.

ERDMAN: Thank you, Mr. Lieutenant Governor. Good morning. So Senator Briese passed out the information on how much inflation has gone up and how much property tax has gone up. If you take a look at the yellow bar, it says 66 percent in the last 12 years. That's about 5.5 percent a year. And if you do the math, that's equates to about \$200 million of increase in property tax year over year, \$200 million. So as we move forward and we talk about what we're going to do to try to do property tax relief, until you exceed the \$200 million that rev-- that property tax is going to go up, you have given no relief at all. None. And so if you think about that, in 12 years at \$200 million a year, that's \$2.4 billion. And we in this legislative body brag about the property tax credit fund and we brag about all of the tax relief, property tax relief we've given, and if that equates to like \$1 billion, \$1.2 billion, that's about half, one-half of what property tax has gone up. And so a better statement would be we have decreased the amount of increase. That-- that's the best way to say it. As far as relief goes, I would assume that that meant you paid less than you paid before would be relief, and that's not been the case. So I have said this several times on the mike, and I may say it a couple more, there is a solution to all of the things that we've been talking about for the last 19 days when it comes to taxation and spending and all those things that are happening here, and that is the consumption tax. It solves all of these issues. We no longer have to talk about these things. It fixes our broken tax system once and for all. And here is the issue that you need to deal with, the issue is our focus is in the wrong place. Our focus is always on those who collect and spend the tax dollars, and it is never on those who pay the taxes. It is not the state's money. It is not the county, the city, the schools' money, it is the taxpayers' money. And until we get to the place that we understand that very simple, very simple issue, we will never fix our broken tax system. That system has been in place since 1967. I don't think there's a person in the room would argue that our tax system is not broken. And if you were a person that was diagnosed with cancer and you went to the doctor and he said, you want to take out 10

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percent or 20 percent or half of your cancer, or would you rather take it all at one time? I am sure your answer would be, let's remove it all. So once we discover what the problem is and we've discovered that, that we have a broken tax system, then the next issue is we discover the solution. And then once we find the solution, then we apply that. But that's not what we do here. We continue to put a Band-Aid on an amputation. It doesn't work. And so we'll continue to do what we've always done, we'll nibble away at taxes and we'll give more property tax credit fund. And we'll do all of these things in this-- in the guise of we're going to lower property tax. No, we're not. We're going to decrease the increase. So just say it like it is. And I will-- I will vote for LB986 because it's probably the only thing that's going to happen soon. But other than that, we need to change our focus and start dealing with the real issue, and that's fixing our broken tax system.

FOLEY: One minute.

ERDMAN: Thank you.

FOLEY: Thanks, Senator Erdman. Senator John Cavanaugh.

J. CAVANAUGH: Thank you, Mr. Lieutenant Governor. So I rise in opposition to LB986 and AM1702. Well, it's Groundhog Day again. And we're here arguing about ways to artificially constrain school districts spending. And as I said yesterday, I appreciate the work that Senator Briese has put in and this is, merits the serious conversation about what Senator Erdman was just talking about, constraining the growth in property taxes. And it is a serious issue, but we have locally elected, local control school boards that set their levies and the property tax is based on the determination of the need in their specific school district. And we've had some nice explanation of the numbers here, which I was looking at, and I go into further when I have a little bit more time. But there's the part that was talked about earlier and I talked about yesterday on page 4 of AM1702 that allows for this. The growth by specific percentages based off a school district size by a majority vote of the school district, and the sizes are constrained to 7 percent at 471 students, 6 percent at up to 3,400-- 3,044 students, 5 percent at more than 3,044, but less than 10,000, and 4 percent at the daily average membership of over 10,000 students. And so I said yesterday, there must be some relationship to those numbers to the way we conceive of school districts. So I went to the Department of Education and we have classifications of school districts that are, as far as I can tell, not related to these numbers. So we have a Class I school district,

which is any school district that has-- maintains only one elementary school under the direction of a single school board. Class 2, any school district with a territory having a population of 1,000 inhabitants or less than-- or less that maintains both elementary and high school. Class 3, 1,000 and less than 150,000 inhabitants, not students, that maintain both an elementary and high school. Class 4, which has a territory of a population of 1,000 or more inhabitants with a city of the primary class within the territory. And then we have Class 5, any school district territory having population of 200,000 or more inhabitants with a daily-- or with a city of a metropolitan class within the territory of the district, but maintains both elementary and high school. Class 6, which is at any school district that maintains a high school or any high school, and grades seven, eight, the territory Class 6 district must make up-- made up entirely of Class I district or portions thereof that have joined the Class 6. So, there's already a kind of a layout of how-- how we characterize schools. And so this is a different characterization based on some very specific population numbers. So then, of course, I pulled the numbers of all the school districts and their levies in the state. I haven't gone through it yet, and I'll keep going through it to take a look and see which ones, how many fit under this 471 students, how many fit under these other categorizations. But Senator Dorn asked a very good question. And so I sat here and just did some quick math on a couple of these. Lincoln Public Schools, to qualify for less than a 1 percent increase on population, would have to have over a 1,000 students come to the school district. And just the very first school on this list, Adams County, Kenesaw Public School, would have to add ten students to qualify for about a 1.5 percent increase. So a 1,000 students versus 10 students. The point there is that there's a widely different number.

FOLEY: One minute.

J. CAVANAUGH: Thank you, Mr. President. Wide-- school districts are very widely different, varied, have lots of different situations in which Senator Briese rightfully does try to consider here based off of some of these other characterizations as well; poverty students, English as a second language students, population growth. So he is trying to take into consideration population growth to allow for the-- grant the premise that schools grow and they have demands that we are not able to fully contemplate as we're having this conversation. And that is the point. School districts contemplate this, the need and the resource availability on a year-to-year basis in the specific circumstances under which they are operating. They do not need another state law to tell them that you can't operate in the way that is best

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for your school district because we just want to say that you shouldn't be able to. I understand the considerations. I understand why-- why Senator Briese is attempting to do this, but we should not be giving this top-down mandate to tell schools how to make these considerations and then when we know--

FOLEY: That's time.

J. CAVANAUGH: Thank you, Mr. President.

FOLEY: Thanks, Senator Cavanaugh. Senator Groene.

GROENE: Thank you, Mr. President. Senator Briese, would you take a question?

FOLEY: Senator Briese, would you take a question, please?

BRIESE: Yes.

GROENE: All right. So they taxed \$100 last year. Next year, they can tax \$102.50, but they can override it up to, depending on size of school, up to 7 percent, is that correct?

BRIESE: True, yes.

GROENE: So then they could tax \$107.

BRIESE: Yes.

GROENE: What-- what becomes the base next year?

BRIESE: Their property tax request from the prior year. So to the extent they use that authority in the year you're talking about, that would become the base for the next year.

GROENE: The \$107.

BRIESE: Yes, unused authority would not, but what they do actually utilize, yes.

GROENE: All right. But anyway, I don't know the difference of what the unused authority would be, but I-- I understand that authority would be the \$1.05 probably, yeah. So really, this bill is just symbolic. And all it really-- really, we've had it in the past in equalized districts like a Schuyler or North Platte, where ag valuations went up 10, 20 percent and those guys got hit hard because the \$1.05 stayed. So in that case, it might help those guys where instead of 10 percent

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increase, it would be \$107, it would be 7 percent. So, but at least the school board couldn't say the big, bad TEEOSA formula made me do it. They would have to vote, three-quarters of them would have to vote and say, we're going to go above what the state of Nebraska, the Legislature said they should, we should. So any time you can put pressure on local elected officials not to hide behind mandate is a good thing. And along with, I think, I'm not going to name the numbers because I'm not as good at throwing numbers out as Senator Briese is on bills, but along with Senator Ben Hansen's bill last year on accountability, it's just another tool for the taxpayer to demand accountability. This all goes back to one issue that we all dance around. It's how we fund our schools. Property taxes in first, state aid comes in second, resource. We have to somehow reverse that formula. Foundation aid, solid foundation aid should come in first, then property taxes, then the back end should be filled with-- and I'm not tacking some gimmick where they can still tax at a \$1.05 and put some hard caps on taxing ability, hard caps of the local district. But therein lies the problem with the education establishment. As I've said that story before, an administrator told me once he said, you don't understand, Senator Groene. We want no controls over our taxing authority because we have the taxpayer by the neck up against the courthouse and either he pays his property taxes or he loses his farm. We just can't trust the state. And therein lies the big problem, that right there. Everything I tried to do when I was on the Education came up against that roadblock. And it is the same roadblock that is being pushed here against Senator Briese's bill. Until this Legislature majority starts representing the taxpayer and the families who own the schools instead of the administrators and the establishment, nothing will change here. Nothing will change. It has to be done. Hopefully, there's brave individuals in the future who can get it done. I sure took the slings and arrows, but I'm still standing. Anyway--

FOLEY: One minute.

GROENE: --that is what you have to do. All of this other stuff, the peripheral around the edges addressing, afraid to address the big problem. LB1106 did it two years ago. It did it. But then again, we have people, worst to me don't-- I'm very good with numbers, I'm just not good at memorizing them. But anyway, it's too complicated. TEEOSA is too complicated. It's going to take a major overhaul and it's going to have to change things instead of just throw-- there should be no compromise that we give the establishment more money if we get a nickel in property taxes. It's property taxes first, second, third and last. Thank you.

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FOLEY: Thanks, Senator Groene. Before proceeding, Senator Stinner and Brewer would like us to recognize 31 guests who are with us today up in the north balcony. We have with us the Leadership Scottsbluff, Leadership Chadron, Heartland Expressway Association, Scottsbluff-Gering United Chamber, the Northwest Nebraska Development Corporation. All those guests are with us up in the north balcony. Could they please rise so we could welcome you to the Nebraska Legislature? Continuing discussion, Senator Murman.

MURMAN: Thank you, Mr. Lieutenant Governor. Good morning, Nebraska. I would like to thank Senator Briese for bringing this bill. I know Senator Briese is a strong supporter of education in this state and also does realize that we do have limited resources, especially when it comes to property taxes, because of our overreliance on property taxes in school funding. Myself, also as a member of the Education Committee, I'm strong supporter of education and like Senator Briese, I do realize that we're much too reliant on property taxes in funding education in this state. So I definitely have a strong concern for the taxpayer, especially for the property taxpayer. I think this is an excellent bill, LB986. I strongly support it and I do that because it's common sense. I mean, there are so many protections in this bill that will protect the schools in order for the schools to continue to fund good education in our state, but yet it will prohibit the schools from-- from increasing property taxes, the reliance on property taxes too quickly. Like Senator Erdman said, it, it really is, you know, we do realize it'll most likely only be a decrease in the increase of property taxes paid in the state. Some of the protections I mentioned, you know, the most important one with the likelihood that inflation will be increasing in-- now and in the future is the ability to increase faster if consumer price index does increase faster than the 2.5 percent. I think that's very important because we probably will have inflation coming on. You know, just some of the other protections that are in it, school enrollment increases. Schools are-- do have the ability to increase property taxes. Also, of course, if there's an increase in poverty in the district, they can increase. Increase in English second language students, they can increase faster. And then another important one, protection that's in there, if-- I totally understand this also because, you know, the fear of the local school boards is that, you know, when times get tough, funding from the state will decrease. So another very important protection in there is that school boards can increase funding faster if and-- well, the terminology is commensurate with a decrease in state funding. So, you know, that's sure a possibility and another just very important protection that's in there. And then ultimately, the school board,

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with, I think, a 75 percent majority vote, can also increase faster than 2.5 percent. So it doesn't totally constrain, you know, the school funding budget from property taxes. There's all these possibilities to increase faster. And then ultimately also, I think it's 60 percent vote of the people will allow them to exceed that 2.5 percent increase. So--

FOLEY: One minute.

MURMAN: --with all these protections in there, you know, myself being a strong supporter of education and while protecting the taxpayer, as is Senator Briese, I wholeheartedly support-- support this bill. And I guess I forgot to mention one more protection that's also in there. Districts do have the ability to carry forward unused tax authority. So that's just one more protection that's in there that will allow the schools to even exceed the 2.5 percent increase. And with that, I'll yield the rest of my time back to the Chair. Thank you.

FOLEY: Thank you, Senator Murman. Senator Matt Hansen, you're recognized.

M. HANSEN: Thank you, Mr. President. And colleagues, let's be crystal clear about what we're talking about when we're talking about these numbers. When we talk about there's leniency or variations for school district growth for English language-- limited English proficiency students and some other things, yes, there are, but all of those numbers are weighted down. They're weighted down and also compared to the base 2.5 percent. So in a school district like Lincoln, you get the growth of the percentage numbers of students multiplied by four-tenths. In other words, you take 40 percent of the percent. So if you grow by 5 percent, you get 1 percent. You get credit for 1 percent of that growth, which is still lower than your 2.5 percent that you're giving initially, so you don't get credit for any growth. You don't get credit for 5 percent growth because we're limiting it to 40 percent of your actual growth. There are similar things for the English proficiency students, students in poverty that I'm honestly struggling with the numbers a little bit. But you've got to take them as a pers-- you got to-- let's see. The percentage obtained by first dividing the annual increase in the total number of limited English proficiency students in a school district by the student enrollment of the school district and then multiplying the quotient by 25 hundredths. So if I'm following that right, you take a percentage of which students are in limited English proficiency and then you take 25 hundredths, so you take a quarter, so you get credit for a quarter of a percentage of a percentage, I think. Again, this isn't just like

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your school district grows, you credit for that. Your school district has to grow more than these artificial caps we've put on your growth to exceed this other artificial cap that we kind of just made up out of the whole cost. It's not just a fair, if you grow, you get things, and it isn't. Additionally, and I appreciate Senator John Cavanaugh mentioning this, we talk about this range of 4 to 7 percent. The range of 4 to 7 percent is an option the school districts can opt into, but they can't choose what range they're in because it is limited to their size. And so my school district, Lincoln Public Schools, is in the biggest category and they can only ever grow by 4 percent with a supermajority vote or a vote of the public. A smaller school district can grow up by 7 [percent]. And as said, once you establish that number, that's your base number for the next year. So just think about it. Let's presume we get into this new normal and there's two school districts, one in the smallest category gets to grow by 7 percent, one of the biggest category who gets to grow by 4 percent, both just commit. And they're saying our school board has decided that every year we're going to grow by the maximum allowable percentage. Take that over ten years. Take that over ten years. You do supermajority vote the whole time, take it to the voters every time, you get broad approval. Survive multiple election cycles. The voters want this. The school district that gets to grow by 4 percent over ten years gets to keep-- gets to build that up at the end of the ten years is increased by about 48 percent, 48.02 percent over their initial base. That cumulative growth is about 48 percent over-- over ten years. The school district that gets to grow by 7 percent gets 96.7 percent growth. They get double what the school district-- pretty much double what the school district will afford them got. So not only are we putting harsher limits on bigger schools, we're using a percentage game to limit bigger schools from growing as much. And we're also not letting bigger schools take the opportunity that smaller schools get to kind of go out on a limb and say, hey, public, we're doing the supermajority vote and we think it's worth it. They still don't get this benefit as such. As Senator John Cavanaugh pointed out, you know, in a school district like Lincoln, to even have your growth and record matter, you got to probably add about 1,000 students. For some of the smaller school districts to have your growth record-- growth rate matter, you might have to add ten.

FOLEY: One minute.

M. HANSEN: That's the difficulty we look at when we're talking about these percentages of, you know, a single project in a single town, building a new apartment complex, a new employer moving in, can probably get families with ten children to move into a school

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district. Honestly, you know, ten can be two families just moving and you get this credit for this growth. Well, the city of Lincoln has to grow incredibly just to hit the same provision. And even once they hit that same provision, they're still constrained by the 4.7 percent distinction, which is an arbitrary distinction that doesn't even match our class of school districts. We kind of just picked layers in the school districts, and some not flat numbers-- they're all 4,417 or things like that-- to split them up into who gets to grow at what rate. Colleagues, again, over and over, this is pretty draconian for a school district like city of Lincoln compared to the benefits we give to other school districts. Like, this isn't even a fair, within itself, ignoring the overall impact this is going to have on school funding and school finance in the state.

HILGERS: That's time, Senator.

M. HANSEN: Thank you.

HILGERS: Thank you, Senator Hansen. Senator Walz, you're recognized.

WALZ: Thank you, Mr. President. Good morning, colleagues. I stand in opposition of LB986. I do have to say that I very much appreciate Senator Briese's hard work and his dedication to our property taxpayers, but I also have to say that I truly believe that our school boards work equally hard and that they are just as responsible and take their jobs, you know, just as seriously as Senator Briese does when it comes to taxpayers. I have to admit, I am a little confused about the bill. I guess I'm confused about the reason for the bill at this point. I tried to follow Senator Briese's conversation with Senator Linehan on the floor, and it seems like you're making a lot of accommodations for schools. And-- and then I also heard that this bill is just symbolic. So I'm having-- I'm a little confused. I'm still trying to understand exactly what the problem is, what problem it is that we're trying to solve. So, Senator Briese, would you answer just a few questions for me? Thank you.

HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

WALZ: Thank you, Senator Briese. So I'm wondering where-- where did you get the data that you came up with to even bring-- bring this bill? Like, where does the data come from that we have a big problem with overspending in our schools?

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BRIESE: Yeah, and as I indicated yesterday, I don't think I said we have a big problem with overspending in our schools. I said in aggregate, school spending and also school property tax request in the aggregate-- in the aggregate on average are arguably reasonable. They average about 3.4 percent per year on average the last four years. Is that reasonable? Yeah, you could argue that it is. But what I pointed out was some outliers. Maybe that's what you're referring to and we received that data from Legislative Research.

WALZ: OK. So who are those outliers, I guess?

BRIESE: I would be happy to share the schools with you off the mike, but I can give you some examples here of numbers. We have in, you know, the one example that I didn't mention yesterday was a school with a four-year average of a 5.27 percent general fund property tax increase, while enroll-- enrollment declined half a percent a year and they had a .82 percent average state aid increase during that time. And that just didn't seem reasonable to me. That-- that puts them in what I would consider the camp of an outlier. Another one, seven-- property taxes, up 7 percent, enrollment declined 1 percent on average over four years. But-- but I'd be happy to share that information with you.

WALZ: OK. My other question is, you know, I mean, every school district has a story just like the outliers do. And each school district is unique. They serve a unique population. They're located in a unique area of Nebraska. So the outliers that you're talking about, have you had the opportunity to sit down and talk with those schools and find out what their story is, why they are where they are?

BRIESE: No, I did not have my staff reach out to those particular districts to investigate reasons or rationale for what they did, but that's where the 75 percent vote comes in. If they have a compelling reason for putting themselves in the camp of being an outlier or raising taxes over and above what this bill would otherwise require, they're more than free to do that with that supermajority vote.

WALZ: OK. I kind of feel that not knowing or understanding, and I know that you're very busy. I know that you are. But not knowing or really understanding why a school may be over, under budget--

HILGERS: One minute.

WALZ: --authority is a concern. And I think it's appropriate and prudent, you know, for every senator, as a representative of their

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school districts and their kids, to maybe ask the question and find out the story and find out the why. It's a pretty simple question. You know, just what does it take? How much money does it take to run your school and why? Is it salaries, is it benefits, is it transportation? Is it curriculum requirements? Is it unfunded mandates? Is it low enrollment? What's the story behind the why? Senator Brewer-- how much time do I have?

HILGERS: 26 seconds.

WALZ: OK, I'll save that for later. Thank you. Thank you, Senator Briese.

HILGERS: Thank you, Senator Walz and Senator Briese. Senator Morfeld, you're recognized.

MORFELD: Thank you, Mr. Speaker. Colleagues, I rise in opposition to LB986 for several reasons that we've already gone over, but I will kind of repeat some of those reasons. And then I also have some numbers because I've made some requests to the Lincoln Public Schools district in terms of their population growth and what that looks like. And the first thing that I want to reiterate and restate is that again, I believe this is a local control issue. We have elected school board members who are elected by their constituents, same constituents as ours, that are elected to make these decisions. And if indeed those constituents feel as though they are overspending and their priorities are not in order in terms of how much money they are levying for their districts, then those constituents will hold them accountable. That's the bottom line. And this body has done a ton of work on property tax relief in the state. And one of the things that I've realized in my eight years here is, generally it's never enough. Every time we've passed something major, whether it's in the budget or whether it's some type of policy regarding property tax relief, folks say, well, this will really fix things, this is going to be a big step in the right direction, things are going to look better, and then people come back the next year. And I realize that property taxes, particularly in Nebraska, are an issue. I don't deny that one bit at all. We're one of the higher states when it comes to property taxes. That being said, there's only so many different ways that we can fund some of these critical institutions. Because we can take money away from local governments and counties, which we have done continuously over the last ten years, but in the end, they have to wake up the next morning and fix the bridge. They have to pave the road. They have to open up the school. They have to teach the kids. And those costs aren't going down. Just like they don't go down in our businesses in order to

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retain, recruit and attract good employees, they don't go down for the school districts as well. And particularly in a time where we are facing a severe shortage of labor, particularly for public institutions and things like teachers, support staff, etcetera, this is not the time to start putting artificial limitations when there are already are limitations. That's called the elected school board and they will be held accountable if their constituents feel as though they are overspending. So, colleagues, we already have that accountability and particularly when we have school districts like my school district, which looking at the numbers here, it looks like in 2009 had 34,000 students. In 2010, it went to 34,941 students, so almost a 1,000-student increase. Many of these students are low-income students, so we're not exactly getting all the revenue necessarily that we would need or we would expect when more people are moving into the district for various different reasons. The next year after that, it rose by about another 1,000 students, just under. The next year after that, in 2012, it was 36,484 students, again about another 1,000 students. And now we're at 41,760 students. So these districts--

HILGERS: One minute.

MORFELD: --have to have the ability to be able to properly fund their institutions to be able to provide for high-quality education, high-quality education that is often cited by people that we are recruiting to Nebraskans-- to Nebraska. These are young Nebraskans who want to make sure that they have a high-quality education for their kids and who look at Nebraska and realize that we do have high-quality public education and that they don't have to go out and pay for a private education if they don't want to so their kids can get that education. I can't tell you how many young couples that I've talked to that said, hey, listen, we looked at going to a lot of different state, but one of the big selling points in Nebraska was that you guys have really good public schools, and that's one less expense that I have to worry about. And colleagues, we need to keep it that way. We need to ensure that we have all the tools available to our elected school boards that are accountable to the people to make the decisions they need to make--

HILGERS: Time, Senator.

MORFELD: --to make sure that we educate our kids. Thank you, Mr. President.

HILGERS: Thank you, Senator Morfeld. Senator Arch, you're recognized.

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ARCH: Thank you, Mr. Speaker. I'm going to have a question for Senator Briese here in just a second, but I-- but I guess I'd like to respond to Senator Morfeld and I-- I would say exactly the same thing. It's-- it's never enough. He used that phrase. I would have a different perspective on it and that is, it seems like we are constantly coming back for property tax relief. Go back to your district, go back to your constituents. They say, what are you doing about property taxes? And we try to explain, well, we don't actually levy-- levy property taxes here at the state. That's-- that that is local. A number of-- a number of entities levy those taxes. Very difficult to explain. So we put dollars into property tax relief, but we do, we come back the next year and say, but everybody says, well, did your property taxes go up last year? Yes, they sure did. And that's-- that's what we're-- that's what we're faced with. So I view our relationship to these local entities much more like a partnership in that-- and in this particular case, we have 244 school districts in our state, 244 partners with the state trying to address this issue. I was in a partnership early in my career and-- and what I discovered early was that in partnerships, one of the partners generally starts feeling as though they're working harder than the other partner. And partnerships dissolve over that because they eventually believe both are working harder than the other partner. And sometimes we get into that situation. So this isn't an issue of, let's blame-- let's blame our partners, but we-- but we do need to address the issue of we are continuing to put property tax relief in and we need to be good partners together to address this. Now that being said, we're trying to find, as we do here, we're trying to find a policy, a bill that can apply to all of the school districts. And so I've got-- I've got questions specific about the Papillion La Vista School District, not the numbers or anything, but Senator Briese, if you would-- if you would yield to a question.

HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

ARCH: So here's-- here's my question. My particular district is growing. Assessed values continue to go up, and especially this past year, we've had-- we've had natural growth, as well as just the growth of the assessed values of existing properties. But of course, the way the formula works is at the same time, because those dollars are going up, state aid goes down. So if you-- if you need less, you get less. That's one way to put it for state aid. So is this, you know, the question of, is this fair? Is this a-- is your bill fair? How would you calculate the percentage on something on a school district like that, the Papillion La Vista School District, where state aid goes

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down because assessed values are going up and the population is growing as well?

BRIESE: Yes, the formula takes that into account. As state aid goes down, their ability to levy property taxes goes up accordingly. And you reference the growth, a growing district, that should be reflected in student enrollment and there's also a factor in there for student enrollment to bypass or to exceed the 2.5 percent or inflation. Is that 40 percent enough? I'm open to suggestions on that 40 percent. But again, growth should be taken care of with this formula and a loss in state aid due to rising valuations, the district should be able to recapture that through this formula. And that's why it's set up this way, to protect the district from a loss of state aid, as opposed to the straight 3 percent cap we talked about last year--

HILGERS: One minute.

BRIESE: --that wouldn't have allowed them to do that.

ARCH: OK, thank you. I yield the balance of my time to-- to you, Senator Briese.

HILGERS: Senator Briese, 53 seconds.

BRIESE: Thank you, Mr. President. Thank you for that, Senator Arch. Earlier, Senator Hansen talked of districts only to be able-- only being able to exceed the cap by 4, 5, 6, 7 percent and being locked into say, for example, 4 percent. But on page 4, lines 3 through 6, Senator Linehan and I were talking about this earlier on the mike. Those numbers are in addition to the property tax request authority, so we're not talking about limiting them to 4, 5, 6, or 7 [percent]. That's in addition to the otherwise calculated property tax request retho-- authority, which is the highest of CPI, 2.5 [percent] or those other formulas. Just wanted to clarify that. Thank you, Mr. President.

HILGERS: Thank you, Senator Briese and Senator Arch. Senator Linehan, you're recognized.

LINEHAN: Thank you, Mr. Speaker. OK. This is not a surprise to anybody. School funding, finance is very complicated. So one of the things that I've got staff over here trying to help me figure out, you know, already forget our discussion right now, let's go to the TEEOSA formula, which we all love-- that's a joke. There is an allowance currently in the TEEOSA formula for school growth and for new elementary site allowance. So I think what I heard Senator Briese say and I would be in agreement, we can look at these numbers,

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percentages. Maybe 4 percent or 5 percent, maybe that's not the right percent, but we can't do it in a vacuum because there's already an allowance in the TEEOSA formula if you're a growing school district. So it's not, if that makes any sense, OK? And I'm right, it-- Senator Briese, you-- would you please yield to a question?

HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

LINEHAN: So you're willing to work with Education Committee, look at the TEEOSA formula and see if we need to make some adjustments on these exact numbers, right?

BRIESE: Yes. Oh, yes.

LINEHAN: OK, thank you. So going back to what many have said this morning and Senator Arch just said again, this is a partnership. We all want good schools. We all want every child to thrive. We wouldn't be here if we didn't want that. So right now, with just be adjustments we made last year-- I handed it out. It's state K-12 funding. So our state funding currently, forgetting about the new funding, with all in from the state is \$1.6 billion. That's TEEOSA, special ed, allotment. There's several buckets. It's the other tax, the tier one tax credit, the-- whatever it was then, two hundred and-- \$275 million. That's in the \$1.6 billion. Then LB1107 plus-- I should have on there plus the new tier one money, which went from \$275 [million] to \$313 million, brings us up to \$570.8 million. So right now, the state, us, the Legislature, on behalf of all our taxpayers, we are paying \$2.174 billion, or \$175 million-- billion. Excuse me, thank you. I always need Senator Clements to help me here with my numbers. \$2.75 billion of what we're spending on K-12 schools. The locals are at \$2.3 billion. So we're not quite 50-50, but almost 50-50. Now, what we're trying to do here is that \$570,800,000 that we got appropriated last year for this year, we're trying to make sure that matters. And even if property taxes grow by what everybody seems to think is way too low, 0.25 percent over the next ten years, just that growth will overcome that \$570 million. We've got to realize when we're talking about 1 percent and 2 percent and 3 percent of billions, it's a lot of money. So again, if the property taxes collected in 2021 school year for public schools was \$2,095,489,000. Point--

HILGERS: One minute.

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LINEHAN: --025 of that is \$52 billion. So, if we do nothing, we don't try to get a partnership going here, this money will all disappear within ten years. So do we really want-- I don't-- I'm open to any other suggestions. I think Senator Briese is open to suggestions. But if we're picking up half the bill here, which we're doing almost, and when we talk about 1 percent to \$4 billion, it's \$400 million. Don't we have-- 400, right? What-- we've got to have some kind of partnership here, folks. So if you have suggestions, we're going to be, you know, here today, probably coming back tomorrow so I would ask for those that have concerns. I've seen-- I have it somewhere. I've seen OpenSky's analysis of this bill, which--

HILGERS: That's time, Senator.

LINEHAN: Thank you.

HILGERS: Thank you, Senator Linehan. Senator Pansing Brooks, you're recognized.

PANSING BROOKS: Thank you, Mr. President. So I have a couple of questions for Senator Briese, if he would please.

HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

PANSING BROOKS: Thank you, Senator Briese. So I'm-- I'm interested because my ears perked up while I was listening to all of this. And you said that you would give the-- the communities that are the outliers. You talked about the outliers and that you'd give it to Senator-- the list of them to Senator Walz, but you'd give it to her off the mike. I'm not sure why. This is public information so we should be able to hear publicly who those communities are so that we can have an-- an understanding of whether there are good reasons that these-- these groups are the quote, unquote outliers.

BRIESE: Well, I was just reluctant to name names on the mike, Senator.

PANSING BROOKS: Well, it seems to me if we're making a decision on outliers, we have to be able to understand what we're doing and why we're doing it. And, you know, I think-- and you said to Senator Walz that you didn't contact any of those schools.

BRIESE: That's correct.

PANSING BROOKS: And why was that?

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BRIESE: I didn't take the time to contact them. Some of them undoubtedly have legitimate reasons for what they've done. And they will--

PANSING BROOKS: I agree.

BRIESE: --and they will all purport to have legitimate reasons for what they've done and so I didn't see the need for that. And I'm not making-- I'm not passing judgment on any of these particular school districts. I just see the numbers. The numbers cause me concern. And as I said earlier, if there are legitimate reasons for exceeding what we're talking about here, this bill provides them with a mechanism to easily do that with that supermajority vote. And I would be happy to share this information with you also, Senator.

PANSING BROOKS: OK. I think that's really disappointing because supposedly you've got numbers and the numbers must be valid. And so I don't know why we can't talk about what you're talking about. We're affecting-- how many-- how many districts are outliers?

BRIESE: I could look through the list and top of my head, maybe, maybe 30 or so.

PANSING BROOKS: Can you count them from the secret list because we're not getting to see the list.

BRIESE: No, it's not a secret list. I will provide it to you.

PANSING BROOKS: OK, sorry. Senator Walz, I guess, got a copy of the list and there are nine. So nine outliers out of 244 districts. Thank you, Senator Briese. So I just guess, I-- yes, Senator Briese, did you have something else? Oh.

BRIESE: You mentioned nine outliers. There's-- those are just a select group that I pulled off of there. There are more than that, but go ahead.

PANSING BROOKS: OK, well, that's why I wish we had the information. But, so anyway, what you're passing around to certain people is that there are nine out of twenty-- 244 districts. So, you know, and again, you mentioned that some might have a good reason. I can't figure out the reason. I think that the schools, I don't-- I don't see the overspending. I don't see where we're having these problems. You know, and yes, you said 75 percent of the board could vote to-- to accept the increase and go beyond the percentage point of 2.5. For the Lincoln Public Schools, that would mean six out of seven would have to

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agree. And in the Legislature, maybe we should change that. That would be 37 people required to get-- get-- pass a bill. So I'm just-- I can't figure out. There is no question that property taxes are an issue--

HILGERS: One minute.

PANSING BROOKS: --but to penalize all the different districts and put on a cap, I'm-- I'm not in favor of caps. And I also, having been the cochair of a special election, will tell you it is cumbersome, it is costly. We are forcing elections on our communities. The communities who are local and understand their boards and their schools far better than we do and so we are-- we are talking about an unexpected expenses imposed upon by the Legislature because we-- we don't like what they're spending. Let the people make the judgments. Let the people vote their-- their district board members in and out. You know, if a-- if an emergency arises or we have to start paying people more to be in certain districts around the state, that could take up the 2.5 percent immediately. So that includes teachers, custodians, librarians.

HILGERS: Time, Senator.

PANSING BROOKS: This is not simple. Thank you, Mr. President.

HILGERS: Thank you, Senator Pansing Brooks and Senator Briese. Senator John Cavanaugh, you're recognized.

J. CAVANAUGH: Thank you, Mr. Speaker. Well, I was sitting over here trying to do some math. And it's complicated, and I was trying-- trying to get to a point of understanding what would be required in student population growth for OPS to get to even a 1 percent increase and how that would match up against the number of students per dollar. And I think I missed by a zero, but I was just comparing the number. I was redoing my math, but I was comparing and it looks to me like, if you use that first school I talked about, which was Kenesaw in Adams County, a increase of ten students would allow for 1 percent over the 2.5 percent increase, which would essentially be about \$3,700, an additional student of those ten students, whereas in OPS, which is in my district, it would require 1,400 students to get that same 1 percent increase. And on my math, it was about \$1,800 a student is what that would add up to with that 1 percent increase, which means you have to have way more number of increase in students comparing these two districts. And that's just the one that's-- I apologize, Adams County and Kenesaw that you-- that I'm picking on you, but you're just first in alphabetical order on the sheet of paper that I

have. But it is one smaller school compared to a bigger school where we're trying to match the same requirements against them for how they get adjusted up. And the similar adjustment means more students to get the increased adjustment. That increase in adjustment yields less money per student when we already know that in OPS, they spend a lot, lot more money, they have a lot more need for that money. Obviously, this is based off of the population growth and not those other categories. I don't have those numbers available to me, but the point is, this one-size-fits-all approach does not work even when you make concessions for the fact that they are not all one size. I would also point that the Kenesaw, at 272 students, would fit into that first category of less than 471 students, therefore affording them the opportunity to increase their override by 7 percent on top of that. So I guess that would be a 9.5 percent increase in their asking for a year where those board votes, whereas OPS would be able to get a maximum of 6.5 percent over their asking and again, which would be an opportunity for OPS. As the statute, I think, says, they're not obligated to take that for-- full 6.5 percent. They'd be able to take less than that. But for OPS to match up to the actual per student increase in value, they would have to have that board vote override, which is saying that OPS to basically provide similar services to their students that Kenesaw would under this statute, they are going to have to undertake these overrides with regularity, which is not a good system either. We just heard and I'd be curious, I was doing my math, but I heard that there is this-- the secret list of nine school districts that are the bad actors. And as Senator Pansing Brooks said, there's over 200 school districts in the state. I'm looking at them all here. I printed this out so I could go through and see just who jumped out at me as having disproportionate levies versus valuation versus student population. And just looking at this particular, none of them jump out. There's Kenesaw--

HILGERS: One minute.

J. CAVANAUGH: --thank you, Mr. President-- Kenesaw's levy is 0.8558 per \$100 of assessed value, with a valuation of 436,145-- I'm sorry, \$436,145,588. They also-- we don't include bond building costs, so their total of the 0.9797 is not what we're talking about, we're talking about the .85 and there's widely different based off of school districts. The one thing that did jump out at me are these high-growth districts have-- have the highest bond levies; the Elkhorns, the Gretnas, the Papillions, the Millards. They have the-- they have high bond levies, but not necessarily-- they're not disproportionate in terms of their actual asking levy. Let's see, Elkhorn is less than OPS' general levy, but twice OPS' bond levy. The point is that--

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HILGERS: That's time, Senator.

J. CAVANAUGH: Oh, thank you, Mr. President, I'll put--

HILGERS: Thank you, Senator Cavanaugh. Senator Machaela Cavanaugh, you're recognized.

M. CAVANAUGH: Thank you, Mr. Speaker. I rise in opposition to LB986 and the amendments. So I've been looking at our budget and I know I have said this several times before, a bit of a broken record, about how we don't levy property taxes at the state level and we should fund education fully at the state level. And I, so I've been looking at the two different funds. We have the AM1107 fund, which is based on your school district and you apply for it on your-- through your income taxes, which is complicated, but I won't go into that today. And right now, the sheet that Senator Linehan passed out has that at \$570 million. OK, so we've got \$570 million in that fund, and then Table 9, page 34 of the budget, we have property tax credit fund, which currently is at \$310 million. I believe there's going to be more money put into that. And that is the money that you see on your property tax statement that there's a state credit. It's-- it's just a state credit for property taxes. Now we keep having this education-property tax debate, but when I do the math based on the dollars that are on the Department of Revenue's website for taxes collected at the-- at the county level, we collect-- the counties collectively collect for education, K-12 education, \$693,572,748.59. If you add the two property tax credit funds together, that's \$880 million. So we are collecting more or we are putting more into the property tax credit funds than we collect in-- in property taxes for state education. Why doesn't the state just pay for education and take that off of our property taxes entirely? And then the people at the local level can vote for a levy if they want to. I mean, if you're serious about ending this debate, let's fully fund education at the state level. It will actually cost us less than these funds and then let people at the local level vote for the levies that they want to vote for and move on with our lives. It's simple math, but I'm not on any of the committees that make these decisions. I've been here for-- this is my fourth year and this took me 15 minutes. So if you want a solution, there's your solution and then you would have an excess revenue. If you wanted to, you could even put money towards bonds. Or here's a wacky idea: fund things that we used to fund at the state level that we've pushed down to counties. But if you really want property tax relief, if you're really serious about property tax relief, then let's take the schools off of the counties' docket. We have the money. We have more than enough money. Let's stop having the same fight over and over again.

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Otherwise, I just don't believe that this is a genuine conversation. You want solutions, there's your solution. Fund education. Take it off the property tax rolls. They're not going to increase property taxes because we've eliminated the property tax that they are leveraging--levying. So they can't levy that tax anymore. So they can increase a different tax, but they can't levy that tax anymore because we are paying for it fully at the state level, as we should be. That's property tax relief. That's actual property tax relief that we can give the people of Nebraska, but we continually choose not to and create convoluted ways in which we can get credit--

HILGERS: One minute.

M. CAVANAUGH: --for doing things piecemeal and chipping away slowly. \$880 million is what we put in those two property tax funds. \$693 million is what the state collects, what the counties collect, collectively across the state. The \$2.5 million or billion includes the learning community and bonds. Let the local people decide that. I can show you the Department of Revenue's spreadsheet. Thank you.

ARCH: Thank you, Senator Cavanaugh. Senator Hunt, you're recognized.

HUNT: Thank you, Mr. President. For me, my opposition to LB986 is sort of philosophically consistent with the way I voted and positions I've taken on other things in that I'm, one, against lids on the budgets of local government subdivisions. Two, I support local control, and three, I trust voters in Nebraska who elect their local governments to know what's best for them. I don't think that we here in Lincoln, by putting a cap on these schools, are doing them any favors and ultimately we won't be doing ourselves any favors either. I think that nobody knows our school districts across the state better than their local school boards, better than the parents who send their kids there and the families that are part of those communities, better than the voters who themselves elect their representation and their leaders. Oftentimes, these people have lived in that district their whole lives. They do business in the community. They send their kids and grandkids to these schools and they understand all the aspects of their community and their school. And, you know, percentage of this, this, that-- I'm not a math person, and unfortunately for District 8, they didn't send me down here to be a math person, but a lot of you know that better than I do and-- and you're leaders on that and I follow your lead with that. But just for me, I cannot support a bill to say nothing of the math that's taking local control away from these subdivisions and these other elected bodies. I also am just always going to be categorically against putting a cap on spending for

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schools. I think that our schools are doing an excellent job controlling their spending, and eventually we're going to get to a place where there's no more that they can cut. I don't think it's right for us to, to look at high property taxes and turn and point our finger at the schools and say it's because of irresponsible spending, you guys are costing too much, you're not being conservative. News flash: this whole state is conservative and, like, I promise that all of the school boards across Nebraska have a lot of conservative people and a lot of really fiscally responsible people who run them and they are not trying to waste taxpayer dollars on schools anymore than we are. And every member of this body cares about people who feel that their property taxes are too high. Every member of this body cares about making sure that our agricultural economy is strong. We all want to be judicious with spending, and we want our schools to be strong and for Nebraskans to get a good education. But, colleagues, at some point we're going to run out of spending to cut, and we have to get serious about talking about increasing revenue in our state. And this is a theme that I come back to, you know, in my fourth year over and over with-- with different bills we have for cuts, because it seems to me like a big root of the problem is that we don't have enough Nebraskans. I promise that if we do some experiments, if we give some new policies a try that we know will attract and retain young people in our state, that they are telling us constantly that they care about and want, that future-facing people, you know, not just young professionals--

ARCH: One minute.

HUNT: --but people who believe in our responsibility to bring the future into being, if we pass some of the policies that they care about, a lot of these other problems will work themselves out. And the math people can-- can then figure out what's the best way to address the next problems that come after that because there's always more problems, but getting more revenue in the state, I think, has to be a big priority of all of us. And to me and to my peers who I speak to and to my constituents who tell me all the time, they just want more people to live in Nebraska. They want this to be the kind of place that more people want to call home and put down roots and have a good job and start a family. And the work that we're doing in here is not conducive to that for a lot of these people. Thank you, Mr. President.

ARCH: Thank you, Senator Hunt. Senator Dorn, you are recognized.

DORN: Thank you, Mr. Chairman. I wanted to get back on the mike and talk a little bit. I was asking Senator Briese some questions earlier

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about, I call it the carry over. If they didn't use their full allotment up to 2.5 or whatever and-- and everything, and if they could go higher than that or whatever with what happened. Went to-- and I had to pull it back up here on my phone. Section 6 on page 4 of the white copy, this is what I was referring to. It says a school district may choose not to increase its property tax requests by the full amount allowed by the school district's property tax request authority in a particular year. In such cases, the school district may carry forward to future years the amount of unused property tax request authority. So in other words, I'd use the three-year in there, and that's in a different part of the bill to three years. But in other words, if the school districts, any school district, the maximum amount is 2.5 percent, but they decide not to use for three years in a row, four years, whatever, a percent of that, or they're only going to percent and a half, if I understand this right then, if they only use a percent and a half for four years, that leaves a percent out there. So at the end of six years, now they would have the 2.5 percent plus a percent each year or 4 more percent. They would have 6.5 percent they could use in that so-called fourth year or whatever, if I understand the bill right. That is my interpretation of that bill. It doesn't say it's going to end. It doesn't say that-- that unused authority falls off, goes away. It says they can carry that forward. And that's, I guess that's clarification. And Senator Briese and I will talk more on that. But I just wanted to make sure I understood that right so that I'm not saying a school district would do it, but we are in a way, then this would build up, I call it a reserve kind of, or whatever. And that's some clarification that as we go forward, we'll get. But I wanted to make sure on the mike that I mentioned what I mentioned earlier wasn't quite, maybe quite all there. One other thing. When Senator Arch was talking and-- and, well, Senator Linehan-- maybe I'll ask Senator Briese here a question in a minute. When Senator Arch was talking and he talked about our property taxes and where they've gone and they've gone through the years and what's happened or whatever. Want to use an example here. And Senator Briese, I'll ask you a question in a minute, so if you could listen to this, I want to-- for instance, Lincoln. Lincoln Public Schools in the last year in Lancaster County, valuations went up 10 percent. Lincoln held their levy steady at a dollar and a nickel. My interpretation of that is then they now are increasing property taxes by 10 percent. Would Senator Briese yield to a question?

ARCH: Senator Briese, will you yield?

BRIESE: Yes.

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DORN: Is that your interpretation also that if valuations-- and this is what's happened to ag land for 10,15 years. This is now happening to really the, I call it the urban areas, the commercial areas. As valuations go up, right now, the cap or the lid that they somewhat have is the levy, the levy part. So if valuations went down 5 percent and they kept their levy at a dollar and a nickel, your property taxes would go down 5 percent. But under our current situation-- and it also then affects TEEOSA and all these other things-- under our current situation, Lincoln valuations go up 10 percent. They keep their levy at a dollar and a nickel. Now, property taxes go up 10 percent. So when we have some of these discussions about what--

ARCH: One minute.

DORN: --what does property tax matter? Why does it matter? This is part of the equation. Sometimes it's not-- it's not this factor or these formulas that we're doing here. It's part of what we have as our tax system in this state. Schools, if they're not funded by TEEOSA, generally then they have, their only source is property taxes. So it does matter. Some of these discussions we have here and some of these formulas and maybe some part of an equation now that changes how we are doing it. But thank you very much for bringing this bill. I really appreciate some of the discussions on this bill. Thank you.

ARCH: Thank you, Senator Briese, Senator Dorn. Senator Morfeld, you're recognized.

MORFELD: Thank you, Mr. President. Colleagues, I want to discuss a little bit and kind of bounce off what my colleague, Senator Patty Pansing Brooks, noted on the mike here. I think that what's frustrating sometimes is we-- we hear about these districts that are just kind of, you know, doing whatever they want. They're the example of why we need to have reform, but let's have those discussions on the mike. And if they've got to be uncomfortable, let's have uncomfortable discussions about it because one of our colleagues came up and had a spreadsheet here with a few different, few different columns of information. It's Lincoln Public Schools, years '21 through '07, or excuse me, 2007 to 2021, and then you have the total amount of money, percent change, actual enrollment and then percent change after that and then the local, state and then federal funding that went into it. Well, yeah, you can point out a few different anomalies with this data point-- or these data points, but these are pretty limited data points. And so we want to talk about how we have anomalies and outliers and things like that, but we don't want to actually talk about who they are because if we get into who they are, then we can

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start having real discussions about what it takes to run a school district. And God forbid, we have that discussion because really, it sheds light on the fact that we have school districts that quite frankly aren't not being responsible. They are being responsible and they're dealing with the realities in their district. As I've discussed several different times, Lincoln Public Schools has seen dramatic growth. And if you look at this, I suppose somebody can look and go, oh, that's an anomaly. I actually don't think there's any big anomalies here or any big concerns in terms of what's been going on in the last 13 years in Lincoln Public Schools. But if you want to start having that conversation, let's start having that conversation because in that period of time, four elementary schools were built and opened in Lincoln Public Schools, two middle schools were built and opened in Lincoln Public Schools to deal with the massive surge of students that were coming into that district over the last 12 years. And so, yes, there might be some anomalies on the data points because they're literally opening six new schools within that district. And when you opened six new schools, what happens is sometimes you have inefficiencies because you have class sizes that go from 40 students to then 20 students and then they have to level out. So you have a little bit more teachers-per-student ratio than what you would normally have. So yeah, I suppose if you're just looking at five data points on a spreadsheet with a district that is the second largest district in the state, you might be able to point to an anomaly or two. But if you don't have a conversation about the entire picture and what's going on in that district, then you don't have the full story. And that's the thing that's frustrating to me, colleagues, is we keep having these conversations about these anomalous districts that aren't doing it right, that are really, you know, going outside what they should be doing and are out of control, etcetera, etcetera. But we don't want to have a discussion about the details, about the specifics. Let's have those discussions. Let's talk about those districts. Let's talk about what we think they're doing wrong. And then let's give them an opportunity to come back and tell us the full story. And maybe we agree with them or maybe we identify a district that's doing it wrong. And if that's the case, then let's have a conversation about it. And then I bet their voters will have a conversation about it and then their voters can decide whether or not they allow those elected school board members to come back or not come back. But to get up here, and I've been hearing it for the last eight years, like, oh, we've got all these school districts that are just, you know, they're just spending all-- all the money they possibly can and wow, it's so horrible, etcetera, etcetera.

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ARCH: One minute.

MORFELD: And yet in these school districts, when you actually go and talk to somebody behind the scenes, in these school districts, you look at how long the school board members have been serving on those boards, and most of them have been serving for years, sometimes decades. And so if they were really doing something wrong, there would be political consequences for it. And in the case of Lincoln Public Schools, that absolutely has not been the case with the school board. The school board members that are currently there have been elected and reelected multiple times in many cases, and they clearly are doing something right in Lincoln. So, colleagues, that's why I'm opposed to LB986. And let's start talking about the troublemaker districts apparently that are out there, the problems, and let's start talking details so they can defend themselves or we can decide whether or not there needs to be additional restrictions. But in this case, I have not seen the evidence for them. Thank you, Mr. President.

ARCH: Thank you, Senator Morfeld. Senator DeBoer, you're recognized.

DeBOER: Thank you, Mr. President. Good morning, colleagues. So I have so many things to say. I'm kind of having trouble organizing which thing to say first, since its primacy and recency, the most recent thing we heard was what Senator Morfeld was saying about specific things. I want to talk about how there are specific expenses. One of them that we have said we really like is when the schools have worked with the trades in trying to help people to get into the trades by creating academies. I know last year I was told, and if I'm wrong, I'm sure someone will vet me, that one of the most expensive things a school district could do is-- is open one of those academies to try to help kids to get into those-- those fields. And so, if we're looking at what their costs are and at the same time we're telling them we really appreciate these very costly things that you're doing, that might be something we should look at when we're looking to Senator Morfeld's point about what is in a school budget. One of the other things that I think, you know, I say this a lot on this microphone, is that our system as a whole is getting less efficient because people are moving from the rural areas to the urban areas. And we know that's true and we can see that also in the cost per students that occur throughout the state. The cost per students in areas like Bennington, which I represent, in OPS, places like that, are very low. The cost per student in other places are very high. Those places are typically rural, and it can be twice as much as what we spend in the urban areas. It can be maybe three times as much. I don't have the numbers exactly in my head, but it is a very big difference. So when we move

people from one area to another, it makes those people in the rural areas less efficient because they lose one student, whatever. And then in Bennington, they have to build a new school every year. It's very expensive to build a new school every year, and I've used this example before. When I first started in this body four years ago, I opened a school in the Bennington School District. I went there to their opening ceremony. The kids were singing. It was-- it was really cute. And then when I went for COVID in 2020, which was a year later, that school was overcrowded. So I mean, these kinds of places where people are growing really dramatically is part of the reason that as a system, you know, we find it's more expensive because they came from one here, one here, one here throughout the various parts of the state and they end up in a place where we have to build a new school. We don't unbuild the schools where they just take one out of here or one out of there. So the whole system becomes less efficient, it's true. The whole system costs more because we're-- we're moving demographically. It's the growing pains of what we're doing right now. Now I would love to, you know, grow our rural areas at the same rate that we're growing our urban areas. I would love to do that, and I would love to hear ideas on how to do that. And, you know, I think that's a nut that we're all trying to crack in this state is how do we keep those rural areas as vibrant as we know they are? OK, so then with respect to this bill, I'm trying to figure out through all the mechanisms, whether it does nothing or it does something. Literally, I'm still working on that part. I'm slow, the slowest one here in the class, so I'm trying to figure out if it does something or if it does nothing. If it does nothing--

ARCH: One minute.

DeBOER: --oh, well, I'm not going to figure it out this time on the mike it sounds like. If it does nothing, then I would want to have a conversation about why we're doing it. So I suspect it does something because I don't think that we would bring a bill that does nothing on purpose. If it does something, the something that it does is it takes money away from schools. If it does nothing, it doesn't take money away from schools. OK. If it does something and it takes money away from the schools, then I would want to ask why we're doing that when we're asking them to provide the same level of education. One of the things we talked about yesterday was this distinction between the years that they're looking at their valuation numbers from. But in this bill, I also see that there's a look-back to the previous year in terms of the money that it fills into a kind of a hold harmless attempt. So it would go back to the previous year's aid. So I suppose--

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ARCH: That's time, Senator DeBoer.

DeBOER: Thank you, Mr. President.

ARCH: Senator John Cavanaugh, you're recognized. This is your third opportunity.

J. CAVANAUGH: Thank you, Mr. President. Always got to move my papers up here. So like everybody, I'm sitting around just doing math here today, which is fun. So I was going through a number of things, list of the school districts and seeing how many would get 7 percent increase and I made it, like, about three pages in. Most everybody is at 7 percent eligibility, a few 6 percents. And I'm trying to find a few that-- see if there's any other than OPS, LPS, and the other Omaha metros that are in that last category of more than 10,000. But I also was sitting here looking up to see what's-- how bond initiatives have been played out or ballot initiatives for levy overrides have played out in the Omaha area, which was available. So Millard had one in the last election in 2020 that got 58 percent of the vote, which was-- my guess was it was a construction bond, but it doesn't specifically say in there and I don't live in Millard, so maybe somebody from Millard could clarify. But 58 percent vote for a bond levy override. If we applied the 60 percent requirement here, that bond that would not have passed even though 58 percent so, like, 16,000 people who voted for it far outweigh the number of people who voted against it. Westside had a vote last year that was exactly 60 percent, and OPS had a bond that got a 67 percent vote in 2018. So those are clear expressions of the intent of the people to fund their schools, to expand opportunities, to build new schools, to expand these programs, as I think Senator Morfeld was just talking about, Senator DeBoer, both talking about how these innovations require investment that can sometimes be expensive at the startup and the voters expressed their intent. But out of three ballot initiatives in the city of Omaha, one of them, a program that the people in Millard wanted, would not have been expanded. They wouldn't have the revenue. They wouldn't have the opportunity to express their intent because we set-- we're setting a threshold at 60 percent for some reason, I guess. I don't know what the reason for having an extremely high threshold for voters to ratify or to override the levy. I think-- as I was thinking about the reason for the limit, a lead-- a lid-- a cap on revenues and they expressed positions that we need to do something about property taxes. We're putting a bunch of money towards property tax relief, and we need to basically make sure that that actually gets used for property tax relief, which is, I guess, one thing. But the-- fundamentally the problem is granting the premise that we are-- that by putting a lid on

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the amount of money available to schools, that they will be able to provide the same or better service than they're currently providing with the pressure, as Senator Friesen said earlier, to find these efficiencies. They have-- that-- that grants the premise that they are not under every pressure now, that they are not taking every opportunity now to provide an excellent education as good as they can under the constraints that they are currently under. That-- that the pressure here is not a question of whether the state is going to put a lid on them or not, or whether they're going to be able to access money, it's whether or not they can provide a high-quality education to every child that we entrust into their care every school year. And--

HILGERS: One minute.

J. CAVANAUGH: --the premise here is that they are-- they are doing it without consideration of cost and they are doing it less efficiently than they could, as opposed to trying to do it as efficiently as they can because they know that the dollars that they have go to service the children and that they could actually service them better with more money, but they have the constraints that they currently have. And so I know everybody wants to say that-- that we're spending too much on education and it's a runaway expense, but the consideration is when you get down to rubber meets the road, I guess, we are undertaking a monumental task in-- in our society of educating children. Generation after generation, class after class, schools have to educate these children and we ask them to do it and we're making it harder all the time and this is one thing that would make it even harder for them to do it. And so we want innovation, we want efficiency, we want them to work as hard as possible, but they don't need this downward pressure from above, from us--

HILGERS: That's time, Senator.

J. CAVANAUGH: Thank you, Mr. President.

HILGERS: Thanks, Senator Cavanaugh. Senator McCollister, you're recognized.

McCOLLISTER: Thank you, Mr. President. Good morning, colleagues. Property taxes are an interesting topic to me. I served on the Revenue Committee for a term or two, and I was wondering if Senator Briese would yield to a few questions.

HILGERS: Senator Briese, would you yield?

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BRIESE: Yes.

McCOLLISTER: Senator Briese, the Tax Foundation lists Nebraska as having the seventh or ninth-highest property taxes in the country, is that correct?

BRIESE: Yes, and some folks, I think, are even higher than that, but yes.

McCOLLISTER: And our-- our state, in terms of support to the schools, ranks 49th, is that also correct?

BRIESE: According to U.S. Census Bureau data, that's a number has been floated around quite a bit the last several years. It might have improved slightly last few years.

McCOLLISTER: Well, philosophical question: those property relief funds that we have, don't they, in effect, reduce our property tax such that the Tax Foundation's ranking of us is probably a little incorrect, wouldn't you say?

BRIESE: Well, that's-- that's a great point. Sometimes those credit funds, refundable income tax credit, the property tax credit fund might not be reflected in there. But as I indicated the other day, according to the Department of Revenue data, it still looks like we collect \$600 million more in property taxes than income taxes and \$700 million more in property taxes than sales taxes. And I could show you those numbers if you'd like.

McCOLLISTER: Yes. You handed out a document this morning that kind of intrigued me. I'd like to ask you a few questions about that. One talks about the CPI, and I'm not exactly sure where the-- those-- those inflation numbers come from.

BRIESE: Yes, I-- I-- that should be the percentage price increase for urban consumers, I believe. And I'm not sure actually if that's Census Bureau that puts that out or who.

McCOLLISTER: But it's not the CPI, is that correct?

BRIESE: Yes. The CPI, I believe, should be the cost increases for urban consumers, I believe.

McCOLLISTER: Well, we're talking about property taxes in the state and generally schools take about 60 percent of a person's property taxes. Is that a fair assumption?

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BRIESE: Yes, 60 percent is pretty close, might be slightly over, but somewhere in that area.

McCOLLISTER: And the other divisions are government, counties, metro area, civic center, NRDs, are the remaining 40 percent of that-- that total?

BRIESE: Yes.

McCOLLISTER: Has there been an effort to see of those categories, whether they've gone up higher than the schools? I don't think, apart from, I think that's LB103 that we passed in the Revenue Committee, Senator Linehan's bill, there's no other control on those other subdivisions of government, correct?

BRIESE: We tried to do that with LB408 last year. Could-- couldn't get that done.

McCOLLISTER: Would you say that those subdivisions of government are more egregious in terms of raising and using property tax in the schools?

BRIESE: I'm not prepared to say that right now. I could look at the numbers and get back to you on that. And the number we have on this sheet here that I handed out, the increases in property taxes, I believe that is the increase for property taxes levied by all local units of government, not-- not just schools here. This should be all local units.

McCOLLISTER: Well, thank you, Senator Briese.

BRIESE: So I didn't segregate that out here.

McCOLLISTER: Yeah. Thank you, Senator Briese. And I yield the balance of my time.

HILGERS: Thank you, Senator McCollister and Senator Briese. A number of senators would like to recognize 20 members of the Nebraska Realtors Association from around the state. Those individuals are seated in the north balcony. Please rise and be recognized by your Nebraska Legislature. Continuing debate. Senator Walz, you're recognized.

WALZ: Thank you, Mr. President. When we were going through the process of our school funding proposal, we-- we really had the opportunity to visit with schools and we really discovered how unique each school

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district is. And actually, that made us refocus and think about those differences in the state in the-- in the school districts. Again, I think it's just imperative that we have those conversations and that we understand what's happening in our school districts before we make decisions to bring a bill like LB986. And again, I just want to reemphasize how-- how impressed I have been and how I feel that there are, the school boards are just, you know, they take their job very seriously and they've been very fiscally responsible with-- with the money. Senator Briese-- I'll just go on. I do want to find out what year of data he's given us to-- that-- what years does the data that he's given us represent? But I do have a couple of answers regarding the outliers. I got one from Papillion La Vista and it was, you know, I didn't have a whole lot of time to talk with them, but I did ask the question. And they-- they said that they lost enrollment during the pandemic, as many of the other schools did, but they still had to run a school. You know, they still had overhead, they still had salaries, they still had staff to pay, they still had transportation. But over the last ten years, they averaged 2 percent enrollment growth per year, which I feel, you know, is definitely in line and I'll continue to talk with other schools. In Fremont, our situation was a little bit different. We had two large companies who were able to take advantage-- come to Fremont who were able to take advantage of the Advantage Act and had their property tax-- the companies had their property tax exempt. That occurred and our assessments actually went down. So, and I'll find out a little bit more about that story, but those are two, you know, quick calls that I made to find out exactly what's going on in our school districts and our communities. OK, I do have a question, Senator Briese, if you would like to yield, please.

HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

WALZ: Thank you, Senator Briese. In your bill on line, and I don't have the bill right handy right now, but I think it's line 12 on page 3. It says the department shall certify each school district their tax request levy, which really is a complex calculation. Do you know, has NDE calculated the models for all 244 schools?

BRIESE: Not-- not, to my knowledge, no.

WALZ: OK. All right. So I guess-- I guess for me then why-- why not and-- and how can we be expected to vote on something without that kind of data to back it up?

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BRIESE: OK. And I'd need a clarification by what you mean by modeled the data. I guess what-- what data are you referring to?

WALZ: The data that-- the models for your proposal. Have you had them modeled, those that--

BRIESE: OK. No, I haven't.

WALZ: OK. All right. Then again, I'm not real comfortable voting for something when I don't have data on it. I guess that's all the questions. Oh, wait, I did have one more question if I can find it. I think, excuse me, just a second. I'll just-- I'll yield my time till I find it. Thank you.

HILGERS: Thanks, Senator Walz and Senator Briese. Senator Hunt, you're recognized.

HUNT: Thank you, Mr. Speaker. As I said before, I don't typically talk on tax bills because the conversations when it gets into, you know, 12 million, 30 million, 2 percent, 3 percent, it's like the difference doesn't matter to me because the heart of my opposition is really about that aspect of local control that we're taking away from elected bodies, especially, you know, in rural Nebraska and these smaller communities, community of Blair, like where I grew up. People really know what's best for their communities in those places. These are people who have sent their kids to those schools. They've lived there for a long time. They own businesses there. They-- the center of their lives and their economies are in these communities. And to have, you know, us here in Lincoln from all over the state kind of do what to me seems like a one-size-fits-all type of thing in terms of the control that we're taking away from these school boards and these localities doesn't really seem right. And it also doesn't really seem like a good use of our time when we talk about what Nebraskans are actually asking for to increase their quality of living. Property taxes are a big problem in this state, and I say that because if somebody feels like they have a problem, then that's a problem, even if somebody else says it's not a problem. You'll hear a lot of folks on the left, which I am, say things like, you know, we have too much focus on property taxes. It's not a big problem, or it's, like, a very leftist view sometimes to say, you know, we need to put the needs of workers and renters above the needs of property owners and-- and do things to resolve the class differences that we have. And I believe all that, but I also have compassion, and I believe that if you feel like you have a problem, that means you have a problem. Feeling like you have a problem is the same thing as having a problem, and pain is pain. And I

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don't want anybody in Nebraska to be feeling pain. And that's what the property tax issue is giving to a lot of people and I understand that, but we cannot keep cutting taxes at the expense of services. And at some point, we just need to raise revenue. And when people have the opportunity to build a strong foundation with the support of quality education and healthcare and fair wages, that's what makes our economy stronger because it's what makes individuals stronger. And I think that all of these little piecemeal solutions about solutions to cutting property taxes, resorting to putting caps and putting controls on what localities can do when they really know better than we do, it's not going to be a sustainable solution. To me, it's really more of a Band-Aid because we pass things every single year to help relieve property tax burden on people, whether that's the property tax relief fund-- I think that's a great program-- and we debate bills like this every year. But if this were to pass, it would not lead to really long-term relief for people. It's just a Band-Aid. And the problem returns, and then in 2023, we're back here debating the same kind of bill until there's no state aid to schools. So it's just not an avenue that we can keep going down. There are a lot of ideas of how to make Nebraska better that aren't even something that we could hypothetically do later. We have bills introduced here in the Legislature this session to address all of these things: supporting our neighbors in the immigrant and refugee community--

HILGERS: One minute.

HUNT: --raising the tipped minimum wage so that our lowest paid workers aren't making \$2.13 an hour; reforming policing so that black Nebraskans know that this is a safe place for them to live and that their lives matter; keeping public dollars in public education where it's most needed to improve schools that serve all children, regardless of who they are, regardless of what neighborhood they come from, and regardless of what their parents' income is; SNAP; food assistance; housing equity; protections for workers; benefits for first responders who, who lose loved ones in the line of duty. There are bills on the floor right now to address all kinds of these things, and it's really hard for us to get 25 or 33 votes on any of them. But taxes aren't why young-- thank you, Mr. President.

HILGERS: Thank you, Senator Hunt. Senator Machaela Cavanaugh, you're recognized.

M. CAVANAUGH: Thank you, Mr. Speaker. I almost called you Lieutenant Governor. I will yield the remainder of my time to Senator Matt Hansen.

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HILGERS: Senator Matt Hansen, 4:45.

M. HANSEN: Thank you, Mr. President, and I appreciate the courtesy, Senator Cavanaugh. I used my times on this mike earlier today, so I haven't had a chance to talk for a little bit. But I appreciate the debate we're having today and the context that we are talking about it. And again, I want to just continue to point out and reframe that there's a little bit of this debate is kind of one side or one perspective, I should say, kind of debating with themselves, talking with themselves in the sense that there's this continued request to cap schools' funding in order to give more money to unequalized schools. And that doesn't account for your cap, both the potential to both cap equalized schools, as well as potentially reduce the amount of equalization aid they get or amount of state aid they get. Some of this debate and some of this positioning and some of this posturing is kind of aside posturing among themselves. And I use side just truly in the perspective of taxes, because that's how this issue breaks down, as we've seen, is along perspectives of how school finance and school funding go. There are a number of us, myself included, who represent equalized districts, the large school districts, things of that nature, who have a consistent perspective. And that is where I come from. Again, over and over again. My school district needs to, at minimum, be held harmless for me to get on board with some of these things. It needs to be left in a better spot, or at least no worse spot than I entered-- than when I entered the Legislature. That's been my goal this whole time and that's informed a lot of my votes. I've been willing to support, negotiate, try several things. I certainly have voted for increases in the property tax credit fund and other things because that does what I-- that does hit my minimum. It does hold LPS harmless. And the reason is and I know people are going to get up and like, oh, LPS can do all sorts of things, this, that and the other thing. You're struggling to convince me when you have a special carve-out for the largest school districts and they have the lowest amount of flexibility, and when you list Lincoln Public Schools as one of the out-of-control districts, that that's going to be true. That the out of control spending that LPS has done over the past couple of years apparently has been building new buildings, which have been very popular among the public. So I would tell you that any sort of out-of-control spending among Lincoln Public Schools is not seemingly shared by any sort of significant portion of the actual people living in the city of Lincoln. And I wanted to touch upon that for a good reason. Sometimes in this debate, we talk about focus and we're focusing on the government entities, we're focusing on the tax collectors and the tax spenders, and we should be focusing on the

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taxpayers. Colleagues, when we talk about education policy and education funding, we should be talking about the children. That's who-- like, that's who should be centered in our debates and discussions on school budgets, is the children, is the students. Saying the taxpayer is the number one person we have to protect and look out for on these bills it is, I think, an incorrect view focus just as, say, solely focusing on the administrators is the wrong focus. And colleagues, that is why I keep rising in these debates and have these same perspectives in the sense that when I hear what, like, Lincoln Public Schools has done that people think is excessive, it's like offering multiple languages. It's like building the career academy. It's like building a new elementary school to reduce overcrowding. These are the things that LPS has done that is excessive and in my mind--

HILGERS: One minute.

M. HANSEN: --thank you, Mr. President-- and in my mind, that's like, those are good things. I mean, even-- those are just simply good things. So when these are being held up as the count-- as examples of, like, waste or extra spending or what have you, you know, providing opportunities to the school students that the voters of the district that they represent overwhelmingly approve over and over again every time we have a bond issue, is the point and is the purpose of our school districts. So if we're going to focus this debate on anything, let's focus it on the children. I, too, would like to know other examples of waste because in my mind, I keep hearing just Lincoln and I-- just Lincoln in general, but not even a specific expenditure. So colleagues, if there's genuine abuse out there, like, somebody say it out loud because in my mind it seems that people are upset that we're building new elementary schools, and that is not an appropriate response to this issue. Thank you, Mr. President.

HILGERS: Thanks, Senator Hansen and Senator Cavanaugh. Senator Briese, you're recognized.

BRIESE: Thank you, Mr. President. I just want to stand up briefly and address a couple of comments, clarify a couple of things. I'm not going to speak very long. Senator Dorn earlier was talking about the unused property tax authority, and he may have said something to the effect, well, if you have a 1 percent that you could access and do not access, does that turn into 4 percent in four years? I thought that's what he said. I know he understands how this works and just wanted to clarify that the bill speaks to the amount of unused authority may be carried over into future years. So it would be the amount that's not

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accessed. It would be available for one-time use and you're done with it. And I know Senator Dorn and I talked also and he understood it that way, but maybe I misunderstood his comments on the mike. And Senator Walz asked about modeling the data and the data on what we're talking about here would be extremely difficult to model it would seem-- it would seem to me and I'm not sure what data they would model. There's way too many variables. You know, we're left to speculate on inflation and student growth, things of that sort. And we don't know what districts, if any, would choose to override the limit with five of the six or, excuse me, with a 75 percent vote of the board. So-- so I don't think modeling is very helpful here. Maybe not even appropriate to what we're trying to do, but-- but still a good question, Senator Walz and, but that would be my take on that. Thank you, Mr. President.

HILGERS: Thanks, Senator Briese. Senator Linehan, you're recognized. This is your third opportunity. I don't see Senator Linehan on the floor, so we'll move past that opportunity. Senator Morfeld, you are recognized and this is your third opportunity.

MORFELD: Thank you, Mr. President. Let me just pull up my notes here real quick. So I just want to respond to a few different things. Oh, Senator Briese disappeared. That's too bad. Oh, there he is, right up front. So I may just have a question or two, Senator Briese. I'm going to get started here, but I just wanted to give you a little bit heads up on that. So I guess there's a few different concerns that I have. One, I'm a little concerned that the introducer of the bill hasn't even modeled this so we actually don't have a full scope of what the impact will be. And I got to be honest, you know, I haven't looked at-- I think Senator Briese said LB987 is another bill that you have. I have not looked at LB987, but he noted that that would actually be a real hammer, that this is just kind of the small hammer and there are some models that have come out. OpenSky has created one model. I'd be interested in seeing some competing models if there's other ones or other variables that need to be taken into account. But the OpenSky model looks at what this legislation would do over the course of four years, I believe from-- and I'm reading from the analysis here right now-- from 2017 to 2021. And if you look at Lincoln, I think they sent this out to everybody. But if you-- if you look at Lincoln, if the board takes no action whatsoever under-- under the bill, which there are some levers and some mechanisms to Senator Briese's point that the district can avail themselves, but if they take no action whatsoever, over the course of four years, Lincoln Public Schools is estimated to have lost \$310 million under this proposal. Now, if the board, the school board avails themselves of all the different opportunities or

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options, if that's what you want to call it under LB986, they would only lose \$268 million, so a quarter billion dollars over the course of four years. And I believe the annual budget of Lincoln Public Schools is about \$450 million a year. So you're looking at a significant loss of about \$60 million a year, assuming that the school board avails itself of all the different opportunities to try to get more revenue in under the bill. That's \$260 million over the course of four years to a district that has been growing pretty much every year except for the pandemic, which most school districts saw a little bit of a drop of enrollment. So I'm interested to see what LB987 is, because if this isn't a hammer, then what does LB987 do? And I run a much smaller organization than Lincoln Public Schools, but if you have a \$450 million budget and you're essentially losing \$60 million a year, you're looking at significant vertical cuts. That's why we need to talk about the facts, colleagues. That's why we need to model these things. That's why we need to look at actual examples of school districts and look into why they're spending more money or why there's, quote, anomalies. Because this has real consequences. And in my district, I would imagine this would lead to--

HILGERS: One minute.

MORFELD: --layoffs of teachers, programs, sports, you name it. But it wouldn't just be sports and extracurriculars, cuts like this would lead to massive class sizes increasing. It would lead to teachers being fired. It would have significant consequences. So when we get up and have questions about what the impact is on our schools and what the actual reality is, it's not just grandstanding. These things have real consequences. And if you're not going to model the consequences of your bill, that's problematic in of its own sense. And if we're not going to have conversations about specific districts and where the problems are coming from, then we aren't making good policy decisions that are informed by truth and facts and the necessary context.

HILGERS: That's time, Senator.

MORFELD: Thank you, Mr. President.

HILGERS: Thank you, Senator Morfeld and Senator Briese. Senator Blood, you're recognized.

BLOOD: Thank you, Mr. Speaker. Fellow Senators, friends all, I stand in support of AM1716. I do like AM1702 better than LB986, but as written, I still am not a supporter. With that said, I would ask that Senator Briese yield to some questions.

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HILGERS: Senator Briese, would you yield?

BRIESE: Yes.

BLOOD: Thank you, Senator Briese. Senator Briese, I had some questions that I put on the mike the other day and I'm not sure that you heard them, but I've been listening to debate and they still haven't been answered, but I share a lot of the concerns that some of my peers have. What I want to really do is unpack this. I want to break this down to the most organic level. So I want to ask you, in one sentence, because I have multiple questions for you today, why did you bring this bill forward?

BRIESE: Two reasons: to protect taxpayers in the event of unreasonable, unsustainable increases in property taxes and to provide a mechanism that can ensure that an injection of additional state dollars into public education can ensure property tax relief for our constituents.

BLOOD: All right, so fair enough. So hearing that, would you say that if we fully funded our schools that property taxes would likely be lower?

BRIESE: Yes. If the state wants to foot the entire bill and eliminate the ability of local school districts to eliminate property taxes, where do I sign up?

BLOOD: Would you say that if we hadn't taken away aid to local government back in 2011, that likely property taxes would be lower?

BRIESE: It likely had an impact on the tax burden, yes.

BLOOD: Would you say that if we stopped unfunded and underfunded mandates that cost local government millions of dollars, tens of millions of dollars, that property taxes would likely be lower?

BRIESE: Interesting question, Senator. I'd have to think about that. At first blush, yes, but are we going to have to have a mechanism there to ensure that any dollars we have to put back into those unfunded mandates yield-- actually yield dollar-for-dollar tax relief? We might have to look at something like that.

BLOOD: But wouldn't you say that as a Dillon's Rule state that those local entities are creatures of the state? And when we put those unfunded mandates on them, the only option they have, the only tool

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they really have in their toolbox is to raise property taxes. Would you say that's accurate?

BRIESE: That-- that is one of the tools, yes.

BLOOD: So the concern that I have, Senator Briese, isn't that you're trying to protect taxpayers. The concern that I have is that you just helped me lay out all the things the state has done to keep property taxes higher. And we've never looked at the systemic issues. We just finger point and we attempt to cap and we attempt to stop. Where does the buck stop, Senator Briese? And that is the question.

BRIESE: Yeah, and I-- not in a position to answer that right now.

BLOOD: All right. I think that's very fair, and I appreciate your honest answer. Friends, whenever I'm on this floor and I see these bills that claim to be property tax relief bills, I respect the senators that are working so hard to make it easier for folks to-- to own property here in Nebraska and to stay in Nebraska. But I never fully comprehend and haven't for six years why we can't seem to fix the systemic issues that we claim we're trying to fix. And the question I have sometimes is, like, are we really trying to lower property taxes or is it all smoke and mirrors? Because if we're really trying--

HILGERS: One minute.

BLOOD: --to lower property taxes, we've got to put on our big-boy pants, take responsibility for what we've done as a state and start unpacking this and fix the systemic issues. Until we do this, we will never have true property tax relief, no matter how hard our peers like Senator Briese and Senator Linehan try. I respect their efforts and I respect the people who support these efforts, but come on, let's fix what's our responsibility. Where does the buck stop? Does it stop with us? Does it stop with the executive branch? It's time for us to answer that question. Thank you, Mr. Speaker.

HILGERS: Thanks, Senator Blood and Senator Briese. Senator Walz, you're recognized and this is your third opportunity.

WALZ: Thank you, Mr. Speaker. Before I start, I see Senator Brewer is on the floor, so I just wanted to see if he would yield to a question.

HILGERS: Senator Brewer, would you yield?

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WALZ: Senator Brewer, thank you. We've been missing each other. You have a pretty unique situation in Loup-- Loup City. Can you--

BREWER: County.

WALZ: County, I'm sorry. Can you kind of describe what the situation is there?

BREWER: Well, we've gone through a couple of changes in order to keep Loup County open because they're in a unique situation where the number of students has dropped off to a point where if you just do a snapshot at the beginning of the year, we didn't have enough students to keep the school open. And it's one of the schools that is in that difficult position where it's a long ways to-- to move folks if we have to bus everybody where they need to go. So what we did is asked to do a snapshot of the-- the-- I guess, 9, 10, 11 and 12. So if you take a snapshot of that right now, that would be 19 students. And you know, for some, they're all shocked about that but that's the reality of some of our locations is it's so remote that you don't have a lot of students. Our problem is, there is a, a much higher number there in the lower grades. So just to close the school because they don't meet that particular criteria probably isn't very fair to the families when we have students-- well, just if we just ship one grade, say we go to eighth grade. There's nine students just in the eighth grade. Keep in mind 19 in the other four grades combined. But then when you go into the lower grades, you can get all the way up to 60. So again, what we're going to try and do with the bill that I have in, with LB1057 is to make that a snapshot of K-12 and that becomes the standard. And then of course, that's a-- that's a higher number because of the number of grades we're-- we're including, but that gives you a better representation of the school and how the school is doing.

WALZ: Yeah, and I empathize with you. You've worked with your school boards on that?

BREWER: Yes, as a matter of fact, that was kind of their idea because we had to think through how do we fix this? How do we save that school? Because I think if you were to take and compare-- compare test scores with most of the schools, bigger schools, you're not going to-- you're not going to have the same scores. I think they're much higher out there. So the teachers are doing the right thing and they're managing their school well, it's just the population spike up or down that's affecting their ability to stay open.

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WALZ: Thank you, Senator Brewer. You do have some good news, though, that you told me yesterday that you see an increase.

BREWER: Right. The-- the lower grades, we don't have an issue at all. We just need to get K through about 6 moved up into the high school and then we're back on track.

WALZ: Thank you, Senator Brewer. That's good news. I just want to do again emphasize that our school boards in my district and I believe that, you know, in all districts are very conscious of the taxpayers and they have many, many, many conversations about their tax asking each year. I know that my school district is considered an outlier, but I am confident, in fact, I'm very confident that our constituents support our schools and they support the unique decisions that our school boards make. I am-- I'm--

HILGERS: One minute.

WALZ: --really proud of our leadership and especially, you know, throughout the past few years, we have had some very unexpected situations. In my school district in Fremont, we had a flood that really affected schools, our families, our students, and then on top of that, we had a pandemic that we had to try to maneuver through. So I support our educators as well as our education system, and I think they're doing a great job. Did you say a minute?

HILGERS: I did say a minute. You have 27 seconds left.

WALZ: OK, I'll yield my time. Thank you.

HILGERS: Thank you, Senator Walz and Senator Brewer. Senator Machaela Cavanaugh, you're recognized and this is your third opportunity.

M. CAVANAUGH: Thank you, Mr. Speaker. I need to correct the record. Thank you to Senator Linehan for coming over and talking to me after my first time on the mike. I didn't correct the record on my last time on the mike because I was taken off guard. My math wasn't that great. So I'm just gonna grab my sheet. OK, so Senator Linehan had been talking about the \$2.5 million-- billion that is levied in property taxes for education and I stand for correction. I was incorrect in my math, but I do still stand by the fact that we are collecting-- we are putting \$880 million towards property taxes or towards education via property taxes, but we are actually putting \$1.2 billion-- we'll round up to \$1.3 billion towards education. So the state entirely spends \$3.8 billion in education, and I propose that we take the \$880 million and put that towards education as well. And then we have a \$1.6

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billion left to fund, which perhaps we could find a way to fund that at the state level to again get rid of education off the tax rolls for property tax, leading to real property tax relief. With that, I will yield the remainder of my time to Senator Matt Hansen.

HILGERS: Senator Matt Hansen, 3:14.

M. HANSEN: Thank you, Mr. President, and thank you for the time again, Senator Cavanaugh. Continuing kind of upon the-- upon the earlier thoughts. Again, I want to just really emphasize that these tax bills, these school spending bills are all tied together and they're all tied together because we all know they're approaching the similar point. We know that part of the desire of members of this committee to increase the amount to the property tax credit fund is that fund sometime in the future will be an easier source of funds to then put towards another use, presumably some sort of new school funding formula and there's proposals in various issues to that effect. So in part, that attempt is currently just to build up a pool of resources to change something in the future. So we know those bills are connected. We know this bill is obviously connected to school funding because it's intentionally focused on how schools fund themselves and putting, in my mind, very strict limitations on local schools, and in my mind, also being unduly harsh and unfair between small and large school districts. Again, large school districts both have lower amounts that they can opt into and proportionally have to hit higher numbers to trigger some of the benefits that have been explained. You know, again, growth is up as a percentage of your overall student population, and then even within that, it is then subtracted from some. All of these bills are tied together, and they're all kind of fundamentally getting at our comprehensive plan for the state of how we look at education, how we look at taxes and how we look at everything together. And so when I hear talking about we need to rein in out-of-control schools, we need to rein in out-of-control schools, and the only school district that I hear mentioned by name as being out of control is my school district-- I don't know why there's this thought that these are proposals that, you know, aren't worthy of extended debate, aren't worthy of taking the time on them, because again and again, we're kind of glossing over the fact that the ultimate goal in many of this is to shift money that we currently have in the state--

HILGERS: One minute.

M. HANSEN: --thank you, Mr. President-- from equalized districts to unequalized districts, which is worth mentioning on its own, but it's

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always put on the condition that we're going to have to cap school districts, and we're always seemingly having to cap some of the specific school districts like Lincoln Public Schools the harshest. And again, this is the routine we've gone through year after year on the floor of this Legislature, and I keep kind of coming up here and saying, I don't know why you would expect me, as a Lincoln senator representing parents and children of Lincoln Public Schools, to think that's, like, a good deal for my district in any way, shape or form. Like I'm willing to negotiate, I'm willing to discuss big ideas, but if you're starting point is we're basically cutting money from Lincoln and giving them less money in the future, I don't know why this is even, like, sincerely thought that I might vote for this. So, colleagues, if this is continuing, if LB986 and apparently LB987 is going to be a thing that we're going to condition upon, I want you to really think about that strategy before you issue that ultimatum, because that's what's going to provide a barrier this year.

HILGERS: That's time, Senator.

M. HANSEN: Thank you, Mr. President.

HILGERS: Thank you, Senator Hansen and Senator Cavanaugh. Senator Dorn, you're recognized. This is your third opportunity.

DORN: Well, thank you, Speaker. I told myself I wasn't going to speak again, but I wanted to get up and make a few comments. And I guess would Senator Morfeld yield to a question?

HILGERS: Senator Morfeld, would you yield?

MORFELD: Yes.

DORN: OK, thank you. Thank you very much. You talked a little bit about Lincoln Public Schools was going to, I believe, a 300 and some million and a 200 and some million. In the last four years, it showed that that's where they would have had a negative effect on the amount of funding they would have had. Where was that funding coming from? Who was paying that?

MORFELD: Taxpayers.

DORN: Taxpayers. Thank you. Thank you very much. And I think part of-- part of this whole discussion on this bill is taxpayers are the ones that at the local level are funding the schools. As we went through this and Senator Briese has mentioned several schools that have-- I-- he didn't say, exceed the funding, he just said are funding at a

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higher level or asking for a funding in a higher level. And some of those I know, he said, were 7 percent or more. Lincoln Public Schools, in this same chart that I'm assuming that Senator Morfeld was talking about, 7.3 percent in the last four years. That's where they're at, part of the reason why going ahead, they would have lost that amount of funding. That, under our current system, our current state of Nebraska system, that's what happens. Just wanted to point that out. I-- I'm not picking on Lincoln Public Schools. That's part of the discussion too and we didn't want to mention names, but that's out there. Thank you very, very much for the discussion we've had today. I think this was a really, really discussion on a bill. And with that, I will yield my time to Senator Briese.

HILGERS: Senator Briese, 3:16.

BRIESE: Thank you, Mr. Speaker, and thank you, Senator Dorn. Just wanted to make a couple of comments. You know, I've been chastised here for not modeling this, but modeling really is a simulation of future events and assumptions to predict what's going to happen in the future and we just don't have the data to do that. It's hard to land on that data. There are far too many variables. As I told Senator Walz, we don't know about inflationary pressures. This accounts for that. We don't know whether that board is going to choose to override it and so modeling for future performance as to what's going to happen here is-- this-- this proposal is not conducive to that, in my view. And then someone also spoke about the huge loss in revenue if this would have been in place for a school district, I guess, was LPS, for the last few years. But as I look at my chart, their average property tax increase over the last four years looks like it was 5.31 percent, and their enrollment growth, if this is correct, was negative during that time frame. Granted, state aid dropped off 2.8 percent on average, but-- but again, that type of a tax increase in the face of a declining enrollment, I don't know what position they're coming from there necessarily. But with that said, the bottom line is if these numbers, if the percentages we're talking about here seem unreasonable, I'm willing to look at suggestions. I'm willing to look at other numbers here within reason. But yes, I'm open to discussion on some adjustments necessary to ensure that we do protect the ability of our schools to educate our kids, but at the same time, protect the interests of our taxpayers. Thank you, Mr. President.

HILGERS: Thanks, Senator Briese and Senator Dorn. Colleagues, we're going to go over 11:55 and we have a motion we have to get to, so we're going to pause the debate here and go to the motion to withdraw. Next item on the agenda, Mr. Clerk.

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ASSISTANT CLERK: Mr. President, a motion from Senator Brewer is to withdraw LB1056.

HILGERS: Senator Brewer, you're recognized to open on your motion.

BREWER: Thank you, Mr. President. Just so no one thinks I'm getting soft on wind energy, what this bill is, is understanding that we've come to with public power and as a result of that, LB1056 is not necessary so I'd like to ask to withdraw it.

HILGERS: Thanks for your opening, Senator Brewer. Debate is now open on the motion to withdraw. Seeing no one in the queue, Senator Brewer, you are recognized to close. Senator Brewer waives closing. The question before the body is the motion to withdraw LB1056. All those in favor vote aye; all those opposed vote nay. Have all those voted who wish to? Please record, Mr. Clerk.

ASSISTANT CLERK: 35 ayes, 0 nays on the motion to withdraw the bill.

HILGERS: Motion is adopted. Mr. Clerk, for items.

ASSISTANT CLERK: Thank you, Mr. President. Your Committee on the Executive Board reports LB708 to General File. Committee on Enrollment and Review reports LB767 to Select File with E&R amendments. Notice of Committee Hearings from the Revenue Committee, as well as the Urban Affairs Committee. Amendment to be printed to LB744 from Senator Erdman, to LB512 from Senator Brewer. And new resolutions: LR291 by Senator Day expresses condolences to the family of John Sievers; LR292 from Senator Linehan congratulates Peter Haas on the achievement of the Eagle Scout rank. New bill: LB450A from Senator McKinney. It's a bill for an act relating to appropriations; to carry out the provisions of LB450. An announcement that the Urban Affairs Committee will hold an Executive Session tomorrow at 10:00 a.m. under the north balcony. Series of name adds: Senator Lindstrom to LB300; Senator Albrecht to LB496; Senator Groene to LB718; Senator Albrecht to LB723; Senator Bostar to LB783; Senator Blood to LB783; Senator Arch to LB933; Senator Slama to LB955; Senator Blood to LB1024; Senator Albrecht to LB1037 and LB1086. Finally, Mr. President, a priority motion. Senator Hilkemann would move to adjourn the body until Thursday, February 3, 2022 at 9:00 a.m.

HILGERS: Colleagues, you've heard the motion. All those in favor say aye. Colleagues, all those in favor say aye. Opposed say nay. We are adjourned.