

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee February 1, 2023

**LINEHAN:** Welcome to the Revenue Committee's public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska, and I represent Legislative District 39, which is Elkhorn and Waterloo in Douglas County. I serve as Chair of this committee. The committee will take up bills in the order that are posted outside of the hearing room door. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit handouts. If you are unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 12 p.m. the day prior to the hearing. Letters emailed to your senator or staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use Nebraska's Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceeding, I ask that you follow these procedures. Please turn off cell phones and other electronic devices. The order of testimony is the introducer, proponents, opponents, neutrals, and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for them for you now. When you begin to testify, please state and spell both your first and last name for the record. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system. You will have four minutes on green and then one minute to wrap up on yellow. And when it turns red, I will ask you to finish your comments. If your remarks were reflected in previous testimony or you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. First, I would like to introduce committee staff; to my immediate right is legal counsel Lyle Wheeler; to my immediate left is research analyst Charles Hamilton. And at the end of the table on my left is Tomas Weekly, the clerk. Committee members with us today will introduce themselves beginning at my far right.

**KAUTH:** I'm Kathleen Kauth, LD 31.

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**MURMAN:** Good morning. Senator Dave Murman from Glenvil, District 38, and I represent eight counties along the southern border in the middle part of the state.

**BOSTAR:** Eliot Bostar, District 29.

**von GILLERN:** Brad von Gillern, District 4.

**BRIESE:** Tom Briese, District 41.

**ALBRECHT:** Good morning. Joni Albrecht, District 17: Wayne, Thurston, Dakota, and a portion of Dixon County in northeast Nebraska.

**LINEHAN:** So if our pages would please stand so people can see you. Our pages this morning are Caitlyn, who's at UNL studying history, and Mataya at UNL studying political science. Thank you, ladies. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and is a critical part of our state government. With that, we will open on LB589. Senator Briese. Good morning, Senator Briese.

**BRIESE:** Thank you and good morning, Chairwoman Linehan and fellow members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I represent the 41st Legislative District. And I'm here today to present LB589. I've introduced this bill on behalf of Governor Pillen, and I do want to welcome the Governor to the Revenue hearing today, and I want to thank him for his outstanding leadership on the issue of property tax relief, property tax reform, education funding reform. This bill somewhat mirrors previous efforts in this area, but has significant differences. In its simplest form, LB589, with several exceptions that I'll discuss later, would limit property tax asking authority of school districts by limiting overall revenue growth. We are known for having some of the highest property taxes in the country. Some would suggest we have perhaps the third highest ag land taxes in the country, the fourth highest residential taxes in the country. Some like to talk about the three-legged stool. If we look at Department of Revenue data, you'll find that the three-legged stool is woefully out of balance. Our residential property taxes are roughly 60 percent higher than our neighboring states. We force our homeowners to

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pay close to \$100 a month in additional property taxes on a modest home compared to what they would pay in a neighboring state. And that's not conducive to growing our state. I would submit that our unreasonable, unsustainable overreliance on property taxes to fund local government is choking off economic growth in Nebraska, and folks aren't happy about it. Here on the Revenue Committee, we've encountered that anger, folks coming in and telling us their stories on property taxes and we need to do something about it. And property tax relief and reform requires a multi-pronged approach. And one prong must be trying to control the increase in property taxes. And that's what LB589 does and it does so in a very reasonable manner--manageable way. And why is LB589 especially important right now? Governor Pillen has pledged to get more state dollars into education in Nebraska schools. It's a means of investing in our kids. It's also a means of relieving pressure on our property taxpayers. And we have bills designed to get more dollars into public education in Nebraska, and we are talking significant dollars. But if we're going to put more dollars, more state dollars into education, we have an obligation to ensure those dollars yield relief for our taxpayers. And that's what LB589 can do, ensure those dollars yield property tax relief. And I would submit that most of us involved in this process consider the education funding bills and this cap a package deal. Without this cap, the education funding package likely doesn't get out of the gate. LB589 is designed to limit property tax asking increases, but at the same time protect the ability of schools to educate our young people. So how does it work? I have presented, I believe it's AM212, which makes some changes to the green copy. And in a nutshell though, LB589 limits total revenue increases and adjusts property tax request authority accordingly. Under AM212, a district's total property tax revenue and nonproperty tax revenue from the previous year is added together. Note that spent dollars grants, donations, bond revenue are all excluded from these calculations. This amount is then increased by the base growth percentage, which is the total of 3 percent plus student enrollment growth multiplied by 0.2, LEP growth multiplied by 0.15, and poverty growth multiplied by 0.15. From this total, the nonproperty tax revenue for the current year is subtracted to arrive at the district's property tax request authority for the current year. And note that the base growth percentage which is the 3 percent plus the sum of the enrollment poverty and ESL factors can be increased by a 70 percent vote of the school board or a 60 percent vote of the public at a special election. The school board vote is limited to a set amount depending on the size of the school. The school may choose to not utilize its entire property tax request authority, in which case it can be carried forward. So how is the white copy or AM212

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different than the green copy? It takes the percentage needed to override by the school board from 75 to 70 percent of the school board. It combines the 3 percent with the factors of enrollment growth, ESL growth, and poverty growth. And at the same time it changes those factors, enrollment growth is multiply-- or the factor changes from 0.4 to 0.2, ESL and poverty from 0.25 to 0.15. It also requires notice of the public vote if the board chooses to override. It clarifies that the limit on the board override is the given percentage, which is the 3 plus the enrollment, ESL and poverty, plus the given percentages of 4, 5, 6, and 7. It provides that bonds that are excluded here do not include QCPUF bonds. It's time we take a significant step at education funding reform and many of us here have been involved in failed attempts to get more dollars into education. Go back a few years and think LB640, LB454, LB1084, LB289, LB974, LB1106, and the list can go on and on. And the primary stumbling block has been-- tends to be how do we ensure that those dollars we put into education can yield property tax relief? We need a mechanism to ensure that happens. And the amended version of LB589 can do that, in my view, in a reasonable, responsible manner, a manner in which I submit to you all stakeholders should be able to live with. It's time to get this done for our kids and for our taxpayers. And with that, I would ask for your support and welcome any questions that you might have.

**LINEHAN:** Thank you, Senator Briese. Are there questions from the committee? Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Thank you, Senator Briese. I know that in particular, this is something that you've been working on a long time.

**BRIESE:** Yes, very true.

**BOSTAR:** So I apologize. I, you know, just been looking through the amended version. So if, if there are some things that are incorrect because they've been changed, please let me know. Actually, on that note, just want to clarify. I believe you said that now in the amended version, the override increased percent is additive to the base rate. Is that correct?

**BRIESE:** Yes, it is.

**BOSTAR:** OK.

**BRIESE:** Yes, it is. And that was in response to some concerns from our friends in the education community.

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**BOSTAR:** Great. No, thank you. I appreciate that. The-- can you kind of just talk to me a little bit about the average daily membership numbers determining the 4, 5, 6, 7 and what the, the sort of thinking was behind that?

**BRIESE:** Yes. Likely a member in the education community that maybe could refresh our memory on that. But those, those numbers arose from our discussions relative to LB1084 two to three years ago, three to four years ago when I was working with Nebraskans United on that proposal and folks in the education community suggested that stair step. I guess the thinking was that a lower, a lower enrollment school could be more severely impacted by a, not a catastrophic, catastrophic event, but an event that drives up their costs at a higher percentage or greater percentage that a, that a higher population, a higher budget school would. But again, that arose out of those discussions in LB1084. I think we had that in LB1084 way back when and it has survived to this day.

**BOSTAR:** OK, well, thank you. The-- so in the amended version, the, the different factors that can increase the percent growth rate are now also additive together?

**BRIESE:** Yes.

**BOSTAR:** So it's not the greatest of the--

**BRIESE:** Yes.

**BOSTAR:** --four options, it's all of them?

**BRIESE:** They are added together, but note that the factors--

**BOSTAR:** They went down.

**BRIESE:** Yes, slightly. But, but that's to recognize that now we are accumulating those numbers and thought that was a reasonable place to land.

**BOSTAR:** I think-- my last question, at least at the moment.

**BRIESE:** Sure.

**BOSTAR:** Is the-- and so the supermajority vote went to 70 percent?

**BRIESE:** Yes.

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**BOSTAR:** So, I mean, I, I, I think that's better than 75. But, you know, here in the Legislature if we wanted to, for example, override a Governor's veto,--

**BRIESE:** Sure.

**BOSTAR:** --we don't require that level of threshold to, to make that kind of, you know, I don't want to say that that would be, that, that's an extraordinary thing for the Legislature to do, but it's a serious thing for the Legislature to do and it's something that, you know, you and I have, have-- we've seen come before us over the last few years, and we try to be deliberate about that. And so we set a higher threshold to accomplish that. Why, why would this require an even higher threshold than, you know, what we use to determine whether or not we're going to abide by a gubernatorial veto?

**BRIESE:** Well, the raising of the threshold is simply an effort to, to raise the bar a little higher in an effort to protect our local taxpayers from an increase beyond what we're providing here. I, I think 3 percent plus these growth factors is a very reasonable place to be. One would hope that that doesn't have to be exceeded except in very rare occasions. And again, it's an effort to protect our local taxpayers from the problems I described in my opening and our unreasonable, unsustainable overreliance on property taxes to--

**BOSTAR:** Yeah.

**BRIESE:** --fund schools and local government.

**BOSTAR:** Can you talk a little bit about how this legislation will interact with the increase-- with, with the, with the funding legislation on education? Is there--

**BRIESE:** Yes, I, I think it's critical when we're talking about putting additional foundation aid into public education. It's critical, in my view, to have this measure in place to try to ensure that those dollars yield property tax relief. Obviously, it's not going to be 1 to 1 because we're going to have to accommodate for growth. And that's why we have the 3 percent and the, the factors in there. So it has to be some accommodation for that, clearly. Can't just say you're going to lower your tax asking by the amount we give you. That doesn't quite work that simply. We, we have to accommodate for growth. But it's extremely important to have this in place, in my view, when those foundation aid dollars go out there. But note that the special ed

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dollars they are exempted from, from this as we always have in the past and similar efforts in this regard.

**BOSTAR:** Right. Well, yeah that's, and that's good to, I think, clarify as well. Thank you. I appreciate that. The last question. In, in a environment where we are dealing with 7 percent inflation is-- why, why not have a mechanism that would-- and you and I have--

**BRIESE:** Sure.

**BOSTAR:** --sort of talked about this a little bit, why not have a mechanism that would allow for growth based on not any, any sort of educational growth, but, but frankly, the reduction in the value of money, right, which could, which could put upward pressure on, on dollar amount costs that school district might have to bear in order to just even maintain a level budget footing. But because of an inflationary environment, those numbers might have to go up. Is there a reason why we wouldn't want to do that?

**BRIESE:** Number one, the notion of inflation going forward is somewhat speculative. The hope would be that it's transitory and it, it-- the waters are calm here, so to speak. And I think there has been some indication that it is decreasing. Number two, it is kind of difficult to build in an inflation factor. You know, it's-- it needs to be very time sensitive and so, so it respects current inflation and not last year's inflation or the year before, which can really, really can distort things. You know, if you're basing it, which you kind of have to do based on what inflation was last year, well, it might not be anywhere close to that now. So it is difficult to do. But finally, and perhaps the most important part is we're giving schools the ability to work around this if they need to. Again, we're raising the bar slightly higher than a simple majority of the board. But we're giving schools the ability to get around it.

**BOSTAR:** And so for like a school, I think now what we're, we're-- a school like Lincoln can cap out at seven if you add the allowable additional rate plus the base rate.

**BRIESE:** Yes, seven or conceivably slightly higher, depending upon the other growth factors.

**BOSTAR:** So I--

**BRIESE:** But that, that's a-- that is a board vote, a public vote, there's no cap on it.

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**BOSTAR:** So there's no cap on public votes.

**BRIESE:** Correct.

**BOSTAR:** So I-- and I, I agree actually, that I, I think we're getting to a place now where, thankfully, inflation is, is stabilizing and that's all very good. But, you know, in the future, who knows what happens. You know, ideally when-- if we put a framework like this into law, we want it to be durable policy that addresses possibilities in the future. And so, anyway, I'll continue to talk to you about that. Anyway, thank you very much.

**BRIESE:** You bet. Thank you.

**LINEHAN:** Thank you, Senator Bostar. Any other questions from the committee? Senator Dungan.

**DUNGAN:** Thank you, Chair Linehan. And thank you, Senator Briese. Just in looking at this, again to reiterate, I've not had a chance to go through the amendment in great detail, but in a broader sense, these different cap sizes we have for different sized schools, where did you land on-- how did you land on those numbers? Where do we get those different numbers for a different size school? And do you have any research to, I guess, demonstrate that those are the appropriate cap sizes for those size of schools?

**BRIESE:** I, I think the short answer, there is no. And again, those were numbers that we landed on in discussions on what was LB1084 about three years ago when myself and members of ag groups and the education community was especially well represented there. And the folks in the education community suggested that when we talked about putting a cap in place. They suggested there ought to be some differential there based on school sizes and how, how they arrived at that number, I'm not particularly sure. And going back to the not having much time to look the amendment, I apologize for that because there were some just very recent updates to what we were doing here. And it's-- this one is hot off the press, literally.

**DUNGAN:** No, I understand that. Thank you.

**BRIESE:** You bet.

**LINEHAN:** Thank you, Senator Dungan. Other questions from committee? Seeing none, thank you very much, Senator Briese.

**BRIESE:** Thank you.



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**LINEHAN:** We'll take our first proponent. Welcome. Good morning, Governor.

**JIM PILLEN:** Good morning. Good morning, Chairperson Linehan, thank you for having me, and members of the Revenue Committee appreciate the opportunity here. My name is Jim Pilleen, J-i-m P-i-l-l-e-n, and I serve as the privilege of serving as the Governor of the state of Nebraska. And I'm here today to testify to support LB589, want to take a minute to thank Senator Briese for bringing this bill to say on my behalf and also for all the years that Senator Briese's worked on this bill. I think some of the questions were asked were a lot of history as Senator Briese has worked tirelessly for taxpayers in Nebraska and I'm grateful for that. I've just got a couple remarks this morning. Maybe the first would be to start how, how we got to this point. On December 1, I had announced a school finance working group that consisted of members from all sides of school districts in the state. There were ag groups, there were members of the Legislature that we, after listening to everybody, three things, three things came from those meetings that were really, really abundantly clear. One is we all agree we can never, ever give up on a kid, and we must ensure that the state is invested in every child's education. The second is that the state and the federal government has fallen drastically short on supporting special education funding. Number three, that we, we just must, we must reduce the burden of property taxes for the property taxpayers when we face the funding of our local schools. So that-- those are kind of the three things that get us here today. And the goal of what Senator Briese and I are presenting is a workable revenue cap for school districts that does the following. We believe what we've worked on will respect and retain local control. Local control is really important. It, it ensures that the state's historic investment in K-12 education will result in property tax relief. It's really, really important. It's important to remember that this is a process that just doesn't happen overnight. Our team, we are committed to working with everybody in this room to ensure that our kids and the taxpayers win, kids and the taxpayers win. This, this bill is really, really key to ensuring those victories. It's really important. And so I think it's important to be really crystal clear that, that this bill is a part of the package of educa-- of not giving up on kids, education reform, funding reform, and, and tax policy. So I'm requesting that it along with the, the, the new investment of funding in the K-12 education move through the legislative process together. I think it'll help the, the conversation. So I, I just want to say thank you for the opportunity to testify. It's the first time I've ever done this so--

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**LINEHAN:** You're doing excellent.

**JIM PILLEN:** --if, if I'm stuttering and stammering, it's game day and I'm not-- so, so thank you. And I'd be happy to answer any questions. Maybe, maybe I might, if I, if I could, to just to comment, Senator Bostar, on the question that, that you had about the threshold. And maybe I'll take, I'll take responsibility for that one. I think the threshold is, is really different compared to, to the body of 49. And I, I, I viewed it from my life when, when I had partners, if I had, if I had eight partners and I was one of them and I was running, running the, running the show, you know, if I couldn't get six of the eight partners to agree, probably was a bad idea. And that's kind of, that's where the simple threshold of 75 percent. And, and we've been listening and talking and said, hey, we-- there, there probably could be an adjustment because of size of boards. But to me, the threshold is dramatically different with the number of people involved. And I think that, honestly, all the educators, the superintendents that we've engaged with, I think are, you know, obviously if I was a superintendent, I'd, I'd want a lower one. But I think fundamentally common sense, nobody's arguing with that, with that.

**LINEHAN:** Thank you, Governor Pilleen. Are there, excuse me, are there questions for Governor Pilleen? Seeing none-- oh, wait a minute. I'm sorry. I didn't see you, actually. Senator Bostar.

**BOSTAR:** Thank you, Chair Linehan. Governor, thank you, and thank you for those comments. I tend to agree with you and insofar as that similar actually to the work that we do here. I believe that increased thresholds do promote compromise and sensible solutions to the problems we all face. So I, I was curious where, where that number came from and how it-- how to think about it in the context of, of what we do in, in our line of work. But I really appreciate your comments. Thank you.

**JIM PILLEN:** Thank you.

**LINEHAN:** Thank you, Senator Bostar. Are there other questions from the committee? Seeing none, thank you very much for being here.

**JIM PILLEN:** Thanks. And, you know, you never hear it enough, but I can't commend everybody, Nebraskans need to understand how incredibly hard all the members of the Unicameral work, it's tireless efforts. And I'm, I am for one am very grateful. Thanks for having me here this morning. Have a great day.

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**LINEHAN:** Thank you. Thank you very much. Other proponents? Do we have other proponents? Good morning.

**KATIE BOHLMeyer:** Good morning, Chairman Linehan and the members of the Revenue Committee. My name is Katie Bohlmeyer, spelled K-a-t-i-e B-o-h-l-m-e-y-e-r. And I am the policy and research coordinator at the Lincoln Independent Business Association. LIBA represents over 1,000 small businesses, primarily located in Lincoln and Lancaster County. And a significant part of our mission is to communicate the concerns of the business community to the elected and appointed officials at all levels of government. Our organization was founded to give small businesses a voice in local and state government with the mission we will serve today. Thank you for the opportunity to be here speaking for our members in the small business community. And thank you, Senator Briese and Governor Pillen, for bringing this bill forward. I'm here today to encourage the Revenue Committee to pass LB589. Many of our LIBA members often share concerns that our state is slowly turning away from a business friendly environment to something they don't want to be a part of. If government spending continues to grow in this manner, we will lose our competitive advantage in attracting businesses to our state. Nebraska's high property taxes hurt not just farmers and ranchers and homeowners, but also our small business owners across our communities. Economic development is dependent upon sustainable tax policy and a talented workforce. A business plan for three to five years to ten years down the road limiting the growth of property taxes would greatly assist businesses with their budget forecasts. Moreover, with affordable property taxes, Nebraska becomes a more attractive place to live, work, and raise a family for perspective workers and those on fixed incomes. Over the years, we have developed a great relationship with the LPS board and staff and we understand the work put into creating the efficient, yet competitive budget. In 2021, the Lancaster County property valuations came in at 11.42 percent increase when just an 11 percent increase was estimated. This earned LPS an extra \$1 million in their cash reserve. This year, the proposed LPS budget was an almost \$500 million budget. One thing that had changed in the previous two years was an insurmountable inflation rate that we had not seen in 40 years, and we are feeling the impacts all over town: at the grocery store, at the gas pump, wherever we shop. And recently, our utilities. This is difficult for hardworking families across our community. Our only ask this year to LPS was to stick with the estimated 3.4 percent evaluation increase, which was built into the budget. However, they decided to expand their cash reserve by accepting the 4.1 percent increase, over \$2 million they did not need and could have given back

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to the taxpayers. And I believe that was only just a half a penny levy reduction. In some challenging economic times, taxpayers deserve better than this. While we are all for supporting our public schools, we are also wanting a fair and transparent process. The last two years have been extremely difficult for our community and when asked to use restraint, our school board could not even save the community \$2 million. This is why LIBA is in strong support of LB589 and we strongly urge the Revenue Committee to vote this out to General File so the community can save their tax dollars. Thank you and I will answer any questions you may have.

**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you very much. Next proponent. Good morning.

**BRUCE RIEKER:** Good morning. My name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r, and I'm the senior director of state legislative affairs for Nebraska Farm Bureau. And I'm here on behalf of eight groups, eight agricultural organizations: Nebraska Farm Bureau, Nebraska Cattlemen, Nebraska Corn Growers, the Soybean Association, Pork Producers, State Dairy Association, Wheat Growers, and Renewable Fuels Nebraska. I won't do this-- this is my first time before the committee, but I won't do this every time, but I want to give you just a little bit of what that means to be testifying for those eight organizations. We have roughly 45,000 agri-- agricultural producers in the state, and a majority of them are members of one or more of those organizations. They also comprise the third largest ag complex in the country. They also pay \$1.3 billion in property taxes out of \$4.7 billion collected at the local level. So property tax relief is a very important thing for us. I know that isn't the specific issue, but I wanted to share with you what kind of, which I say, how many people are behind this testimony, and it's an honor to, to represent all of them before you. Probably goes without saying that, you know, it's no secret that Nebraska has an overreliance on property taxes, and we've been advocating for that for a long time. But I also want to thank all of you that have been in the Legislature in previous years, you've done a tremendous job helping us with tax relief. And I want to commend all of you for, for that work. And we want to make sure that relief continues to keep up with how much property taxes are growing. I want to thank Senator Briese for introducing this. We've been through many journeys with him. He mentioned some of the groups that we were part of with him in this, the Nebraskans United group, and other collaborative efforts working on things. And we believe that what we have learned this morning from some of the changes that have been made to this soft cap, that it gives the-- it allows for the flexibility for local school districts to make decisions. It also has

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thresholds that they need to cross in order to make some of those decisions. But it gives them the latitude to respond to economic pressures. It protects local control, something very valuable and important to our members. A lot of our members are school board members across the state. So they wear that, that hat as well. So I'm not going to go through all the specifics, that's already been outlined, but wanted to make sure that you knew that the ag org-- the ag community, at least whom I'm representing, is very much behind this and we support it.

**LINEHAN:** Thank you. Are there questions from the committee? Any questions? Seeing none, thank you very much for being here.

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

**LINEHAN:** Next proponent. Good morning.

**JESSICA SHELBURN:** Good morning, Senator Linehan and members of the Revenue Committee. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'm the state director of Americans for Prosperity Nebraska. It's one of the largest grassroots organizations in the nation. AFP is dedicated to bringing people together to change our government and public policies for the better. We strive to create an economy that works for all empowering people to earn success and realize their potential. Unfortunately, due to the excessively high tax burden facing Nebraskans, it is a challenge for our citizens. As I said last week before the committee, you know, we appreciate everything that this committee and the Legislature has done in previous years to provide relief from our excessive taxation and we know that there is still work to be done. When looking at LB589, we're looking at it from a holistic approach of everything that is being proposed with the tax packages this year, mostly from the standpoint of AFP is not generally supportive of caps. We don't feel they necessarily work. We understand that these are caps that we're putting in place and it's part of a larger picture with LB589. And we feel that for the tax package that is being proposed, this is a key and vital component that does need to move forward. I've had conversations with Senator Briese about this and also Governor Pillen's team. We're very appreciative of the steps that they're taking and think that this is a good move overall with everything being proposed this year. So thank you very much for your time and I'll answer any questions if you have any.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Dungan.

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**DUNGAN:** Thank you, Chair Linehan. And thank you for being here. I appreciate your, your input. Going back to-- you were here for the Governor's testimony as well, correct?

**JESSICA SHELBURN:** Correct.

**DUNGAN:** You heard him talking about the working group that was a part of sort of coming to a lot of these conclusions.

**JESSICA SHELBURN:** Um-hum.

**DUNGAN:** AFP was a part of that working group, correct?

**JESSICA SHELBURN:** Correct.

**DUNGAN:** Could you just explain a little bit about how often that group met or what the process was for that group? I'm unaware personally just how many meetings there were, what those conversations were like.

**JESSICA SHELBURN:** So it was-- I believe Governor Pillen stated that he announced the group on December 1. There were three meetings that I'm aware of as the group. I was only able to attend two of them due to prior commitments. The group met, had very open and frank discussions about what is facing Nebraska from a taxpayer perspective and then also from the school's perspective.

**DUNGAN:** And so you-- were the, were the meetings that you had in person, were they on Zoom? Do you remember?

**JESSICA SHELBURN:** No, they were in person.

**DUNGAN:** In person.

**JESSICA SHELBURN:** Um-hum.

**DUNGAN:** Do you know whether or not the suggestions that came out of that working group were a consensus amongst all the members or were there, was there dissension in the ranks about what was the ultimate proposal?

**JESSICA SHELBURN:** You know, I do not personally feel comfortable in saying-- in answering that question. I would encourage you to reach out to Governor Pillen's team or even some of your colleagues who were on the committee. Senator Briese I know was that at least the two committee hearings or the two committee meetings that I was at. So he might be better suited to answer that question than I am.

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**DUNGAN:** Perfectly understandable. Thank you. I appreciate it.

**JESSICA SHELURN:** Yep.

**LINEHAN:** Thank you, Senator Dungan. Are there any other questions from the committee? Seeing none, thank you very much for being here.

**JESSICA SHELURN:** Thank you.

**LINEHAN:** Are there other proponents? OK. Do we have opponents?

**CONNIE KNOCHE:** Good morning, Senator Linehan--

**LINEHAN:** Good morning.

**CONNIE KNOCHE:** --and members of the Revenue Committee. My name is Connie Knoche, that's C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director and OpenSky Policy Institute. And while we appreciate the bill's goal of reducing Nebraska's historical overreliance on property taxes, we nonetheless oppose LB589 for three main reasons. First, it caps total revenue, not just property taxes. Second, it limits growth on the authority-- on the arbitrary number, regardless of the enrollment or the needs of students. And third, it operates in conjunction with other existing limits on schools in a way that could force cuts to many of the school districts. LB589 has capped schools' total revenue at 3 percent or in the amendment that Senator Briese is offering through a combination of other mechanisms which include growth in student enrollment, poverty, or ELL. But when we model this, this growth in students, it never came to an amount that would be significant for the school districts and would not probably account for all of their needs in that regard. And using the prior years property tax requests and nonproperty tax revenue as, as proposed in LB589 means the cap would apply not just to property taxes but to all sources of revenue, excluding special ed reimbursements, federal funds, grants, and private donations. That means the district's property tax request authority would need to go down any time it received an increase in any type of nonproperty tax revenue. And the main source of nonproperty tax revenue is state aid. The constant need for districts to adjust their property tax request authority in response to fluctuations and other revenue sources means that school districts may see their requests change significantly every year. This fatality will make it harder for school districts to budget, and it would increase their administrative burden as they will need to calculate which mechanism best addresses their student needs when estimating their property tax request authority in a given year.

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Second, LB589 limits growth to an arbitrary number regardless of the needs of the school district. If schools have to use nonproperty tax revenue to lower property taxes instead of addressing the needs of their student population, student outcomes suffer, which speaks to the unintended consequences of caps in general. Public schools must address the needs of every student every year and make accommodations when necessary. Some of these accommodations are reimbursed by the state, but not necessarily in the same year the costs are incurred. For example, special education reimbursements are two years in arrears. If-- that means increased spend to education costs in the current year must be paid for with local resources. If there is an influx of LEP students, for example, the school district must be prepared to offer services to all students that walk through their doors. And you can't always predict the consequences of the measures like the one proposed in the bill. Third, we're concerned with this new limitation, how it would interact, interact with the other spending and levy limitations that are currently on school districts to reduce their revenues over time. Even if a district has property tax authority, it may not be able to access it, access it all if there are other limitations in place. And it would make it difficult to maintain the service levels of its students. As a result, we oppose LB589 and would urge you not to advance it out of committee. Thank you for your time and I'm happy to answer any questions.

**LINEHAN:** Thank you. Are there any questions from the committee? Thank you. Are you aware of Senator Wishart and Senator Pillen's plan to reimburse education-- special ed at 80 percent?

**JESSICA SHELBURN:** Yes, but it's still reimbursed in arrears. They have the costs the year the kids are in the school.

**LINEHAN:** But it would-- they would know that's [INAUDIBLE] is coming.

**CONNIE KNOCHE:** Right.

**LINEHAN:** Right. OK. Secondly, is there any cap that OpenSky would support any cap?

**CONNIE KNOCHE:** Well, currently they have a spending-- they have a cap on spending and--

**LINEHAN:** And a cap on total revenue.

**CONNIE KNOCHE:** Right. So when you--



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**LINEHAN:** No, I know how it works. What my question is, would OpenSky support any cap on total revenue?

**CONNIE KNOCHE:** No.

**LINEHAN:** Thank you. Are there any other questions from the committee? Thank you very much. Other opponents?

**KYLE FAIRBAIRN:** Senator Linehan, members of the Revenue Committee, my name is Kyle Fairbairn, K-y-l-e F-a-i-r-b-a-i-r-n. I represent the Greater Nebraska Schools Association, GNSA. It's an organization of 25 of the largest school districts in the state. These 25 school districts represent over 70 percent of the kids in the state and over 88 percent of all the minority children in the state. I come to you today opposed to LB589 in its current form. I apologize to Senator Briese, we hadn't seen the amendment yet this morning, but my full membership took a vote on this last week. We voted to oppose. I could not pull my full membership together yesterday and we had not seen the amendment yet so I will tell you that we are opposed to the, to the, to the original bill, LB589. We have not had discussions on the amendment. We look forward to analyzing those changes. And, and in the long run, we really want to thank Governor Pillen for taking the time to meet with education groups and talk about public education. It has been a very rare occasion in my time here that a Governor is taking time to talk about public education with, with people involved in public education. The reason for the opposition of the bill would put additional caps on public schools that are already capped on the amount of money they, they get at the-- that we're able to tax at the local level and where the budget is, is limited to the amount that's calculated within the state aid formula. Representing-- the cap is already on the schools I represent, because most of us are at the levy limit, are limiting the amount of money that we can put towards teacher salaries, paraprofessional salaries, bus driver salaries, food service salaries, because we're at the level of, of the taxation that we can get. The levy lid limit imposed by the state, many argue that property taxes go up. The young lady just mentioned that property taxes in Lincoln went up 11 percent. What she failed to mention is next year state aid is going to go down by 11 percent because it's going to use that tax asking amount to go down. Lancaster County does their taxes, I understand in a strange way, they, they raise taxes every three years. So every three years you get a huge tax increase. Then it levels off. But the state aid is deducted from that. The caps that are currently in place greatly affect the GNSA schools. Salary class within school districts run between 80 and 85 percent of all costs at public schools. A majority of that cost is teacher salaries.

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The Omaha World-Herald reported that unfilled teaching positions in the state increased by 60 percent this past year. Unfilled positions are over 760 in teaching alone. Schools have been unable to fill paraprofessionals, food service, bus drivers, and custodial positions. School positions are not alone in fighting for qualified staff. As we all know, everybody's looking for staff. The state of Nebraska has also struggled to find qualified employees, but there seems to be a way that the state has addressed this issue. The Omaha World-Herald reported that Corrections workers were given a 20 percent pay increase, State Patrol officers were given a 22 percent increase, and some state employees received up to a 27 percent increase. I've gotten information from several of my GNSA schools. For next year's teacher packages, they range between 3.8 percent and 5.2 percent for total packages. Those are quite a bit different than, than what the state was able to do to make sure they were keeping their employees. And unlike other industries, the only way you could increase salaries that much in our current system from schools I represent is if you cut staff. If you cut staff, you have to raise class size. I don't think that's going to attract more teachers by raising their class size from 22 to 25 in order to, to pay more. The only way for school districts to compete is not only, not only with other local school systems, but pressure from other states that recruit the midwest very hard. They come to our state, Texas, Washington, they recruit our teachers out of, out of, out of our state, out of South Dakota, out of Kansas because they can get our teachers because they pay more. The state of Nebraska does a great job in public education. Our last ranking, public schools came in eighth in the country in quality education in the country. The only schools that are ahead of us were seven East Coast states that pay almost twice as much per child as the state of Nebraska does. That's how great our public schools are. Again, in closing, thank you to the Governor for his support of public education. It means a tremendous amount to us and we look forward to working with him in the future. I'd sure answer any questions if I can.

**LINEHAN:** Thanks. Are there any questions from the committee? There's no cap on valuation increases, right? There's a cap on the levy, but no cap on valuation increases.

**KYLE FAIRBAIRN:** No, not on, not on, not on--

**LINEHAN:** But I understand, state aid [INAUDIBLE].

**KYLE FAIRBAIRN:** Right, they are, they're-- yeah.

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**LINEHAN:** I, I get that.

**KYLE FAIRBAIRN:** OK.

**LINEHAN:** Are you-- Texas teachers make more than Nebraska teachers?

**KYLE FAIRBAIRN:** I was in a Texas school district--

**LINEHAN:** Oh, well, you said the whole state, though.

**KYLE FAIRBAIRN:** Yes, and, and I'm talking Dallas, the starting salary is about 61. The little school district I was in was at 57 starting salary and plus they were paying an additional \$10,000 for a special education teacher.

**LINEHAN:** OK, well, I will-- because that is-- they've changed something dramatically recently then.

**KYLE FAIRBAIRN:** They have, they got a lot of state money "influxed" about two years ago.

**LINEHAN:** OK. I've spent a lot of time looking at the annual financial reports and I don't know how you get to 80 to 85 percent of your costs going to salaries and benefits. But could you get me a couple examples of GNSA schools from the information on the AFR where it's 80 to 85 percent going to salaries.

**KYLE FAIRBAIRN:** Absolutely, Senator,--

**LINEHAN:** OK.

**KYLE FAIRBAIRN:** --almost all my schools are like that.

**LINEHAN:** All right. Thank you. Any other questions? Thank you very much for being here.

**KYLE FAIRBAIRN:** Thanks, Senator.

**LINEHAN:** Other opponents? Good morning.

**CHERYL LOGAN:** Good morning, Senator Linehan, members of the committee. Excuse me. Chairwoman Linehan, members of the Revenue Committee, good, good morning. My name is Cheryl Logan, C-h-e-r-y-l L-o-g-a-n, and I'm here today as superintendent for the Omaha Public Schools in opposition to LB589, which would adopt the School District Property Tax Limitation Act. Omaha Public Schools is the largest school district in the state serving more than 52,000 students. While we

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appreciate very much Senator Briese's efforts to reduce the burden of property taxes on all Nebraskans, this bill would provide very limited potential property tax relief to school district patrons while placing significant limits on the local control of the school district's Board of Education to adopt budgets that meet the needs of our school district. Political subdivision in Nebraska rely heavily on property taxes. For better or worse, property tax is the most able-- stable and predictable tax source. LB589 singles out school districts by implementing a 3 percent revenue cap in an attempt to further limit spending growth. This arbitrary revenue cap would be extremely detrimental during periods of high inflation, such as we are all experiencing now. It would severely limit the ability of our school district to absorb increasing vendor costs for goods and services. It would also further limit our district's ability to adjust compensation adequately for our staff to keep pace with inflation and labor market conditions causing teachers to leave the profession for higher paying jobs and further exacerbating the current teacher shortage. The cap also does not adequately address the unique needs and challenges facing growing districts or districts with changing demographics due to increasing poverty or limited English proficient students requiring significant additional resources. As I'm sure you are all aware by now, the Omaha Public Schools has consistently opposed legislation which further shifts school funding to the state. The reason is simple. TEEOSA already consumes a significant portion of the state budget. Because of that, the Legislature has historically manipulated TEEOSA when needed to balance its budget, which creates further uncertainty and risk for schools. By way of example, prior to the adoption in 2016 of LB1067, which repealed the common levy, the Omaha Public Schools' budget was funded 45 percent by state aid and 55 percent by property tax. Those numbers are now reversed. Passage of LB589 would have significant long-term implications for the Omaha Public Schools and fellow school districts across the state because of the volatility of state aid. Over the course of my five years in Nebraska, I have heard a significant amount of discussion about local control. I am a strong advocate for local control, as is our board. Local elected officials face the voters every four years and are closest to those whose lives they most impact. In the case of school boards, I am talking about the parents of children they educate and the taxpayers who provide those local elected officials with the resources to do so. School boards have been empowered to manage their school districts based on the unique circumstances that each faces. The Omaha Public Schools Board's-- Board of Education takes seriously its responsibility to be a good fiscal stewards of the taxpayer dollar. I believe most, if not all, school boards across the state

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certainly do the same. LB589 will make it harder for school boards to do the job they were elected to do. Because of that, we respectfully oppose LB589 and ask that you consider doing so as well. Thank you.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none, thank you much for being here.

**CHERYL LOGAN:** Thank you. Appreciate it.

**LINEHAN:** Are there other opponents? Any other opponents? Good morning.

**JENNIFER DUBAS:** Good morning. Thank you, Chairman Linehan and members of the Revenue Committee. My name is Jennifer Dubas, J-e-n-n-i-f-e-r D-u-b-a-s. I am here to speak in opposition to LB589 on behalf of the Nebraska State Education Association and Stand for Schools. I grew up in Palmer, Nebraska, which is a town of about 350 people, and I currently live in Fullerton, Nebraska, which is a town of about 1,500 people. I taught junior high and high school math for 24 years in Fullerton, and I am now the collective bargaining specialist for NSEA. From the collective bargaining specialist perspective, LB589 would make it difficult for some schools to cover costs. Funding education is an investment for all students. Every student should have access to all the resources they need to be successful in school. Investing in our students today is an investment in the future of all Nebraska communities, from our metro areas to our smallest villages and townships. Many state senators have campaigned in support of local control and to stop government overreach. Some lawmakers have even made it a priority to eliminate state mandate. LB589 would place yet another mandate on school boards by placing a limit on school districts' property tax request. To control spending, local school boards are already subject to rules on transparency and accountability. School board members are elected by the people of the community. Levies and lids are also voted on by the people. Local communities have a say in how their tax dollars are spent. LB589 would take away our local control and give it to the state. In fact, our locally elected school boards have been able to maintain high levels of student achievement for years with the state contribution level to being 49th in the country. The Property Tax Authority [SIC] Act will reduce revenue for school districts by limiting schools' ability to access valuation growth. It ties the hands of school districts financially. School districts need to have the ability and flexibility to address the needs of students, pay fair compensation for staff, and fill staffing needs. If LB589 is enacted, school districts may very well have to choose between supplies for students and staffing. Some school districts have multiyear negotiated agreements. Meanwhile, the

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proposed language is vague. Is it 3 percent of today's valuation or the new valuation that will be coming? Capping spending will make it difficult for school districts to navigate staffing and resources, and this will have a negative impact on students. Taking away local control of school budgets could have a negative and detrimental impact on students. If that were to happen in smaller communities, it would likely disseminate to our rural areas. I ask you not to advance LB589 out of the committee. Thank you. I will entertain any questions.

**LINEHAN:** Thank you. Are there any questions from the committee? Thank you. You say, I think it's in the fourth paragraph, levies and lids are also voted on by the people. I don't think this bill does-- the levies are actually just a school board, I think, for the most part, unless it's an override. I don't think there's anything in the bill that does away with the ability of the people to vote a levy override is there?

**JENNIFER DUBAS:** No.

**LINEHAN:** I didn't think so. OK. Thank you. Any other questions? Thank you very much. Other opponents? Anyone wanting to testify in a neutral position?

**BEN WELSCH:** Can I still-- can I do an opponent?

**LINEHAN:** I'm sorry. What?

**BEN WELSCH:** Opponent?

**LINEHAN:** OK. Yes.

**DOUG KAGAN:** You're still opponents or neutral?

**LINEHAN:** Well, I didn't know, he-- I'm sorry, Doug-- Mr. Kagan, can we let him go first? Are there any other opponents?

**BEN WELSCH:** Sorry, are you-- you're neutral. I apologize.

**DOUG KAGAN:** That's OK.

**BEN WELSCH:** Thank you, Chairman Linehan, members of the Revenue Committee. My name is Ben Welsch, B-e-n W-e-l-s-c-h. I'm here today to speak against LB589 as a parent and a taxpayer from Hastings. As a parent of five kids from age pre-K to seventh grade, I know how important it is to have all the resources your children need to be successful at school. As a parent, I've always paid-- as a parent,

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have I always paid attention to our school district and its local effort percentage increases? No, I haven't. But what I do pay attention to is whether our school programs and teachers are being added or eliminated. It is the actual resources of our schools that are important to parents. Resources that are an investment in our kids. So as a parent, if teachers or programs are being eliminated at our schools and the reasoning is that our district has a state imposed cap or limitation from LB589 and cannot leverage additional funds, we are essentially divesting from our students by taking away the resources they need to be successful. When I go to my school district's board meetings or work sessions, I see our leaders going through every dollar with a fine tooth comb. These board members are the most fiscally responsible people I know. I send my kids to school every day knowing that our school board is looking out for each and every one of their needs. The question I ask you is who should be the elected officials making resource decisions for the students at Hastings Public Schools? Who are the extremely diligent leaders balancing the resources needed in our district with the resources available to educate my kids and all the children attending Hastings Public Schools. It's not the Governor. It's not Senator Linehan or Senator Briese. It is our local elected school board members and they are the closest to the community and they should remain the elected officials making the decisions about the resources needed to educate the children in our community. Remember local control. This is what U.S. senators on this committee have promised, yet LB589 does the exact opposite. Another burden a cap would place on our schools is when legislation like LB385 that creates three years worth of grants to help recruit teachers runs out of funding, it is the intention that the local school districts would continue funding those grants on their own. Having the state mandated cap and then expecting local districts, districts to pick up the tab after their state funding runs out is rolling back your promise to invest in our schools and our kids. Additionally, ESSER funds will also be gone in the next couple of years, and any programs those funds have been invested in to help with student learning loss and to close the achievement gaps from the pandemic will now likely end, meaning school districts will have to fund these important programs from their own local taxpayer wallets. There is no way we can expect school districts to continue to cover all these investments with a 3 percent cap in place. I've heard the argument that allowing a supermajority vote to override the cap is a local control solution, but the so-called solution is only provided because of the problem LB589 would create. The 3 percent cap override threshold for a school board is now 70 percent. So in Hastings we have a nine-member school board, there would need to be seven school board

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members to support the override. But what about a 6-3 vote in Hastings to vote for that budget? Well, an actual supermajority of two-thirds, those six people that voted for it would not pass a budget in Hastings. So let me repeat that. An actual supermajority of a 6-3 vote in Hastings for the budget would not pass under the legislation that LB589 is proposing. There is no other place in statute that carves out an arbitrary 70 percent threshold exception to pass a vote of a school board. So as a parent, that would mean three school board members could hold the needed resources for students, including my children, hostage to the six members trying to serve the educational needs of our students. This is not a local solution to the 3 percent cap problem. We need to invest in our kids. They're worth it. I ask the committee to reject LB589 state mandate of a local 3 percent cap to our local school districts. Thank you.

**LINEHAN:** Thank you, Mr. Welsch. Are there questions from the committee? Senator Murman.

**MURMAN:** Thank you, Senator Linehan. There's always a lot of pressure on school board, local school board members to do the best for their schools. And that's a good thing. I mean, the members of the school board are quite often the ones, as you mentioned, that are most invested in school, have quite often have kids in school and so forth. So they have a lot of pressure to do best, but-- and I think you mentioned or at least a previous testifier mentioned, we're 49th in the nation in state aid so-- to schools so we're trying to improve that ranking, you know, with increased state aid. I do think we have a responsibility while we're increasing state aid to have some control over local spending by the schools. Do, do you agree with that?

**BEN WELSCH:** Well, well, again, the spending, you know, with the billion dollars and all that money coming in is great, but we want to make sure that how the entities are within the local districts is being used correctly. Because take, for example in the bill, let's say, you now, we have the 6-3 supermajority that votes and we can't pass the budget in Hastings. Well, another option is to say, well, I guess we need to take this to the vote of the people. So, unfortunately, you know, we just had an election in November and the, the people of, you know, Hastings and, and the district, they voted for Governor Pillen to say, hey, you know, you're going to be our Governor, we trust that you can make the decisions, you know, as the Governor. Well, we also had school board elections at that exact same time. And those same voters said, hey, we trust that our local leaders are going to be able to spend the funds and, and use our resources effectively in our local districts. So to have the Governor and other



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people say, hey, we need to control what the essentially the school board is doing, when the same people that elected people to do their jobs, please don't tell the, the school board members how they should do their jobs at the local level.

**MURMAN:** Well, wouldn't you agree we both have the shared responsibility to control spending, both at the local level and if we do increase at the state level?

**BEN WELSCH:** Yeah, we just have to trust that the state people are making the decision to add money and then the local leaders will have the responsibility. So when you're trying to say, hey, we'll give you the money, but there's a bunch of hoops that you have to jump through that kind of, you know, creates a burden on the, on the local system.

**MURMAN:** Well, as you mentioned, there is a possibility to override the cap also.

**BEN WELSCH:** Yeah, but there's, there's no place where a school board has to hit a 70 percent threshold. So I don't know where these numbers are coming from. But again, we're creating an undue burden for a local school district to pass the budget like they normally do. They have committee, you know, they have their budget hearings. People can come and talk. Constituents can voice their concerns. We've even added the, the pink postcard thing now. So now people get to talk again and, and voice their concerns for their local school board. So you think through that process that already exists, we would be able to decide locally if we're going to commit to more resources for our kids or if we're like, well, the school board says we should invest in our kids. We have a 6-3 vote. And all the people that testified at these, you know, budget meetings, they also want to invest in our kids. But if we voted 6-3, our school district would not be able to invest in our kids. And that's the piece that's the problem, is there isn't a mechanism or I guess there is a new mechanism that eliminates the majority of our elected officials to do their jobs.

**MURMAN:** Thank you.

**LINEHAN:** Thank you, Senator Murman. Are there other questions from the committee? In your testimony in paragraph four, you say that the students at Hastings Public Schools, who are extremely diligent leaders balancing the resources needed in our district with the resources available to educate children, kids in all-- all the kids attending public schools. So I agree with you. So Hastings, they are a

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highly equalized school, aren't they? Don't they get significant sums, equalization aid?

**BEN WELSCH:** Yes.

**LINEHAN:** Do you know what percentage of your budget is equalization aid?

**BEN WELSCH:** Not as a, a, as a representative--

**LINEHAN:** Oh, I think, my phone's not big enough--

**BEN WELSCH:** --of the district itself.

**LINEHAN:** --and I didn't bring my computer but we can have somebody on staff figure it out.

**BEN WELSCH:** That's fine.

**LINEHAN:** You also had a levy override, did you not?

**BEN WELSCH:** Correct.

**LINEHAN:** So you, you have-- your board has led, I mean, people have supported the schools there. And I think the state's been pretty generous with equalization aid.

**BEN WELSCH:** Oh, and also the levy override would be just a simple majority of voters, right? So, so to create these other arbitrary things when we're--

**LINEHAN:** And nothing, nothing-- but nothing in this bill-- I'm sorry, shouldn't done that, nothing in this bill takes that levy override ability away from you, right?

**BEN WELSCH:** Yeah, I didn't-- I'm not, I'm not commenting on levy override in my, in my testimony.

**LINEHAN:** So you can still do a levy override. So the situation I think-- and I greatly appreciate your passion for your school district, that's what good school districts do, have passionate parents involved. But we have to worry about all the children in Nebraska, not just Hastings. And I think maybe that's where the disconnect is. We want to make sure that every kid in Nebraska is getting some support from the state, and that's not the situation now.

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**BEN WELSCH:** Just in the, in the-- our school board, I gave you an example of the voting. I just-- makes you mindful of the votes that could happen at any local school board with the example that I gave. That would be my, my only response to that and keeping an eye on the whole, the whole, the whole state.

**LINEHAN:** Thank you very much. Are there any other questions? Thank you very much for being here.

**BEN WELSCH:** Yeah.

**LINEHAN:** Appreciate it. Now, any more opponents? Those weeking-- those wishing to speak in the neutral position? Good morning.

**CORY WORRELL:** Good morning. Chair Linehan-- apologize about my voice-- and members of the Revenue Committee, good morning. My name is Cory Worrell, C-o-r-y W-o-r-r-e-l-l, and I am the superintendent of schools in District 145, Waverly. I am offering testimony today from, from STANCE. STANCE stands for Schools Taking Action for Nebraska Children's Education and, and is comprised of 18 mid-sized school districts free of lobbyist representing nearly 25,000 school children. I am also representing the Nebraska Council of School Administrators. STANCE is unique in the fact that we have districts representing the entire state from Chadron to Plattsmouth, levies that range from \$1.05 to \$0.60, and enrollments ranging from less than 900 to 4,000. We are representative of Nebraska education and we do not take that lightly in our positions with the Legislature. We were going to submit opposition to LB589, but due to the recent revisions to the bill and not enough time to analyze the changes with our membership, we are now submitting this testimony as neutral to LB589 proposed by Senator Briese. We want to begin by acknowledging the Revenue Committee and Governors continued efforts toward creating multiple bills that would provide property tax relief for our patrons. Schools have been forced into an overreliance on property taxes as state aid has been cut time and time again from the current TEEOSA model. LB589 attempts to address this issue. It's become hard to trust the ideas related to funding public schools in Nebraska. School districts have been under assault from several elected officials over the years that say local property taxes are only high because of school district spending. While STANCE fully recognizes that property tax issues facing our state and want to be at the table trying to find a way to reduce our overreliance on property taxes, we would like to make a few points clear. Local control has always been valued as the best way to govern in Nebraska. Board of Education members are tuned in to the needs of their local school district and the communities in which they live.

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Each school has a reason and a story for lower or higher property tax increases as it pertains to their school district. We need to recognize that our locally elected board members also value keeping their property tax asking as low as possible, and demonstrated that time and time again over the last decade. We do not want to sacrifice the quality of the education to our students and reduce the ability from our board of educations to make decisions at the local level. We need the ability to react to local situations at each school district to ensure the quality of education meets the needs and expectations of our community members. And as we understand, Senator Briese has made changes to this bill that would allow for QCPUF funds being outside the 3 percent limit. The super majority of the board vote went 75 to 70 percent threshold on a board board override on a budget vote. The timeline on setting a budget while maybe needing to hold a special election of the people to exceed its property tax authority is being created that is acceptable by school districts and special education funding reimbursement is outside of the 3 percent growth for a district in this proposal, which is a benefit to school districts. Thank you again for the Revenue Committee and, in particular, to Senator Briese for listening to our testimony today. I'd be happy to respond any questions you may have. Thank you.

**LINEHAN:** Thank you very much for being here, sir. Are there questions from the committee? I just-- back to your testimony here, second paragraph, schools have been forced into an overreliance on property taxes since state aid has been cut time and time again from the current, current TEEOSA model. I understand that your aid has gone down.

**CORY WORRELL:** Yes.

**LINEHAN:** Because of STANCE schools, they're in a particular situation.

**CORY WORRELL:** Right.

**LINEHAN:** But isn't that more because your valuations have gone up and because state aid has been cut?

**CORY WORRELL:** Oh, I think because of the model. Senator, yes. Our aid--

**LINEHAN:** But it's--

**CORY WORRELL:** --has gone down because valuation has gone up.

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**LINEHAN:** So it's the model. Because in the last, I think, five years I've been here, we have not cut. It's the model that is reduced. It's the model, not action of the Legislature. Would you agree?

**CORY WORRELL:** That could be true.

**LINEHAN:** OK. All right. And you said several elected officials over the years have said local property taxes are only cut because of school district spending. And I don't remember in the last four or five years that Senator Briese and others have been working on this, that, that was, that was-- I mean, I think there's been an understanding in the Legislature that the reason property tax is high is because the model is broken and valuations, agricultures has gone up significantly and there's been several efforts to address that problem.

**CORY WORRELL:** Oh, I think that, that would be true. But I think there's probably also been some talk amongst elected officials that schools spend too much money. Why are you buying these busses? Why are you doing this to your facilities? Spending has been an issue.

**LINEHAN:** That's probably coming from the community, too. Yes. OK.

**CORY WORRELL:** I think there's been some of that.

**LINEHAN:** Are there other questions from the committee? Yes, Senator Murman.

**MURMAN:** I've just got, I think kind of a fun question. I've never heard of QCPUF until today. Could you define that?

**CORY WORRELL:** Sure. It's another way to lobbying monies that schools can levy to help pay for certain things, such as HVAC improvements. For instance, in our district in Waverly, prior to me getting here, I think in 2010 and '12 and maybe one other year, we had levy to be able to pay for HVAC improvements. And so you-- in essence, you can levy there and, and, and, and I think, as my understanding, we were able to pay for some improvements through selling some bonds and then you're paying back those bonds by levying through that QCPUF fund.

**MURMAN:** OK.

**CORY WORRELL:** So that's kind of what we've done in our district.

**MURMAN:** So it is a bond fund?

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**CORY WORRELL:** In our district, we are paying back on some bond funds that way. It's not used for paying back on facility-- building buildings or anything like that.

**MURMAN:** It's similar to the special building fund, then?

**CORY WORRELL:** In a way you levy to it. Yes.

**MURMAN:** OK. Thank you.

**LINEHAN:** Thank you, Senator Murman. Does Waverly have a building fund?

**CORY WORRELL:** We do.

**LINEHAN:** How much funding do you have in your building fund?

**CORY WORRELL:** We have-- it's about 2.5 cents, 2.2 cents.

**LINEHAN:** How much, how much is it? Are you spending it--

**CORY WORRELL:** \$500,000.

**LINEHAN:** \$500,000. And then you levy your QCPUF, which is limited to, like, 3 percent, isn't it-- 3 cents?

**CORY WORRELL:** Yeah, we levy about 540, \$550,000 a year.

**LINEHAN:** But it's 3 cents, is that what QC--

**CORY WORRELL:** I believe so.

**LINEHAN:** --or is it 3.5? I can't remember for sure. OK.

**CORY WORRELL:** Right around there.

**LINEHAN:** OK. All right. Thank you very much.

**CORY WORRELL:** OK. Thank you very much.

**LINEHAN:** Next neutral. Good morning.

**DOUG KAGAN:** Good morning, senators. Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. I am testifying in a neutral capacity because although we support fully the basic premises of this bill which reconfigures the public schools global funding formula, we believe that this legislation should embody additional restrictions. We believe the caps in this bill resemble

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Swiss cheese too easily circumvented. School districts pass many bond-- school bond issues paid for by property taxes. We believe the bill provision should include restricting school district bonding authority. We suggest amending the bill to require 75 percent of legal voters necessary to override the property tax request authority, and that a petition requesting such an override includes signatures of at least 10 percent instead of 5 percent of voters in the school district. Nebraska law requires 10 percent of registered voters signing a petition for a constitutional amendment and 7 percent for an initiative petition. A candidate petitioning to get on the ballot must obtain signatures from anywhere from 10 percent to 20 percent of registered voters. Also, our group believes that requiring only a 75 or 70 percent majority of a school board to override the tax request authority is too low reflecting on how often some school-- some but not all school boards vote for tax levy overrides or bond issues and vote for a percentage increase that actually exceeds what they are going to spend. We hope that the bill's sponsor and committee members will seriously accept our suggestions for revisions in this bill, LB589. Thank you.

**LINEHAN:** Thank you, Mr. Kagan. Are there questions from the committee? Seeing none, thank you for being here. Appreciate it. Good morning.

**JACK MOLES:** Good morning. Good morning, Senator Linehan and members of the Revenue Committee. My name is Jack Moles, that's J-a-c-k M-o-l-e-s. I'm the executive director of the Nebraska Rural Community Schools Association. This is a group made up of 219 member entities, 202 of them rural public school districts. We represent about 87,000 kids in the state. On behalf of NRCSA, I wish to speak in a neutral capacity on LB589. We very much appreciate Senator Briese's willingness to work with school groups and also to keep us informed. We also appreciate Governor Pillen for having us in the discussion. It is our longstanding belief that the-- that new caps or restrictions are not needed. Our locally elected boards of education have demonstrated consistently that they are aware of the effects of property taxes on their constituents, especially their ag landowners, and they try to keep those rates down. I looked at levy rates over the last 15 years and found that to me that is true. Over the last 15 years, the average levy rate in a NRCSA school was a little above \$1.03 15 years ago. This year, the average levy rate is a little over 83 cents. This is during a time when most of those districts lost all of their equalization aid. Of course, the loss of equalization aid has, as has been pointed out, was due to escalating ag land prices or valuations. I'm sorry. The point is our locally elected board members did what they could to lower their levy rates as much as possible, all

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while reacting to the loss of millions of dollars in equalization aid. My belief is they exhibited fiscal restraint. I would encourage you to take this into consideration as you debate the Governor's package. We do have some concerns moving forward. Many of our districts have worked recently to keep their levies very low and would be hit with the lower request authority at the least optimal time. We're also concerned about restrictions during the time of shortages of teachers and other school board or other school workers. Our boards of education will likely find the need to increase compensation to hire some positions. We would also encourage you to, to look at where we have a few thoughts on some things in LB589 for you to look at. And you've heard some reference to some of these already. When talking about election of the people to give the board the ability to go over the districts' request authority, we would encourage you to require a simple majority vote instead of a 60 percent affirmative vote. We'd also encourage you to provide the Board of Education the ability to put before the people a vote that would give the board the authority for up to five years instead of every-- a vote every year. This would help with some timing concerns that there are plus the cost of running an election every year. When looking at the board vote, we would encourage the majority to be a 67 percent majority instead of a 70 percent majority. That's been discussed already also. So in closing, we are neutral on LB589 at the present. Our support or opposition could come at a later date based on any possible further changes that we made to the bill. Thank you.

**LINEHAN:** Thank you, Mr. Moles. Are there questions from the committee? OK. You know I'm not going to let it slide. Your third paragraph.

**JACK MOLES:** Was it.

**LINEHAN:** Yes, the levy rates have gone down over the last 15 years, but what has happened to the valuation of ag land?

**JACK MOLES:** Yes, I mean, that's--

**LINEHAN:** So the levies don't, you know, the levy is what people pay in taxes.

**JACK MOLES:** Absolutely. And, you know, I've had this discussion before. I recognize that it's total dollars, not the rates.

**LINEHAN:** So what has happened in many of your districts, and this comes one of the urban-- urban/rural conflicts, is many of your homeowners that live in some of your towns taxes have gone down



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because the levies have dropped and their homes have stayed at relatively--

**JACK MOLES:** I would say that's probably a true statement. I haven't studied that.

**LINEHAN:** I have.

**JACK MOLES:** I studied the ag land more.

**LINEHAN:** There's several examples of if your levy goes down and your value stays the same, your taxes go down, right?

**JACK MOLES:** Um-hum, yeah.

**LINEHAN:** If the levy goes down and your valuations go up?

**JACK MOLES:** Yes.

**LINEHAN:** Yes. OK. OK. Other questions from the committee? Seeing none, thank you very much.

**JACK MOLES:** Thank you.

**LINEHAN:** Good morning.

**DAVE WELSCH:** Good morning. Good morning, Senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am a farmer and currently serve as president of the Milford Public Schools Board of Education. I have served as a school board member for over 30 years. I'm here to testify originally in opposition, but thank you to Senator Brieese and for the amendments that he's brought and, and the way he explained them this morning, I'm now coming in a neutral position. There's been a long held belief by some that the reason property taxes are high is because schools are spending too much money. I submit to you a document which shows that for the past ten years the state budget has increased 3.26 percent, while total education disbursements have increased 3.09 percent. The growth of cost per pupil has increased 2.45 percent. If the intent of LB589 is to, is to control school spending, it appears to be a solution looking for a problem. If you believe that school spending across Nebraska is too high, then please provide the proof that this is true. I've tried to provide this document. If, if you disagree with that, let me know. But that's what the numbers are telling me. As a locally elected school board member, I am a firm believer in local control, as many of you are. So I'm not sure why you are trying to control 1,700 locally elected school board members with

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this bill. The local school boards are dealing with 69 percent inflation but yet you want us to hold our revenue request to 3 percent while still maintaining a very high standard of education. And I realize again that the amendments have changed some of that, and I appreciate those efforts. The state is, is in the middle of a worker shortage. The state responded by increasing wages for prison guards 20 to 40 percent last year. This year, wages for State Patrol increased 22 percent and all state workers increased from 10 to 27 percent. I believe there were some very valid reasons for these increases. You know we have to stay competitive in many areas for our workers, but we are also in the middle of a teacher shortage. How are we supposed to attract teachers when our revenue sources are being choked off? Please take a look at the attached graph and charts. This is specific to Milford Public Schools and so I want to just give you a, a-- specifically what is happening there. Take a look in the upper right hand corner and you will see that Milford Public Schools increased its property tax request by 9.9 percent this year, very far right column '22-23, 9.9 percent. I'm sure some of you are shocked by that. How can we be increasing our property tax request by 9.9 percent? But please look at the rest of the story. And that's where local control comes in. If you look to the left of that 9.9 percent, you will see years in which we actually lowered our property tax request by over 7 percent. Some years it was 0 percent, but other years it was higher than that. That's what local control does. It makes those decisions are in the hands of local elected officials and we know exactly what's going on in 1 of 244 school districts across the state. If you look again on the upper right hand side, you'll see that our past seven year average is 2.6 percent in property tax requests. I think that is very reasonable. Now take a look at the bottom of the page for the factors that have contributed to our local budget, in seven years we have had an increase of 16 percent enrollment and a doubling of our SPED students. Both of these cost more money, more so than just your typical cost of living, so to speak, from one year to the next. To attract, attract new teachers, we had to cease from asking our teachers to cover 20 percent of their health insurance cost. That had been a long-standing practice at Milford Public Schools. We felt we wanted teachers to have some skin in the game on that, but it became a very noncompetitive issue for us in providing benefits to our teachers. And so we've eliminated that over the last few years, and that has cost us money. Also, health insurance premiums have increased 5.84 percent last year. So I hope you can see that these educated decisions for our school can only be made by locally elected school board members, not necessarily 49 senators here in Lincoln. I've got the yellow light. I'm going to pause there. The second page of my

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testimony is mostly for resource reference. LB589 is part of a three-bill package. LB583 will be having a hearing next week so there's some information on that and other school funding proposals. I would also like to state that the Governor-- Governor Pillen has made a very large financial commitment to help move Nebraska out of 49th place in the country for state support of schools. And I commend him for that. It's a big step in the right direction. Others have appreciated that and have commented as well, and especially the opportunity to meet with the Governor as education groups and other groups with him in December was a, a very good step in the right direction. So with that, I'll take any questions.

**LINEHAN:** Are there any questions from the committee? Seeing none, thank you very much for being here.

**DAVE WELSCH:** Thank you.

**LINEHAN:** Are there any others who want to testify in the neutral position?

**CHAD MEISGEIER:** Good morning,--

**LINEHAN:** Good morning.

**CHAD MEISGEIER:** --Senator Linehan, members of the Revenue Committee. My name is Chad Meisgeier. First name C-h-a-d, last name M-e-i-s-g-e-i-e-r. I'm the chief financial officer of Millard Public Schools and we are here today in-- for neutral testimony on LB589. Millard Public Schools has a long track record of being fiscally responsible. This is a point of pride with our Board of Education and our administration. We've also had legislative standing positions for many years which strongly advocate for local control and in opposition to additional caps and lids. We do have concerns with LB589 for these reasons. The context of the present moment is also particularly relevant to our concerns. Inflation is at historically high levels and the market to recruit and retain teachers and other staff is becoming particularly challenging. Our fear is that additional caps on revenue in LB589 may further impede our ability to make local decisions to adapt to these variables. All of that being said, as I understand the proposed amendments shared by Senator Briese, we see the potential that these will be more workable than what was proposed in the original iteration of LB589. While we still have concerns with caps that impede local control, we greatly appreciate Governor Pillen, Senator Briese, and their staff for their willingness to listen, to make changes, and to improve the bill. We are hopeful and optimistic

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that we can continue to work towards a version of the bill that we can all live with moving forward. And we look forward to reviewing any intended additional amendments shared by Senator Briese. We look forward to future collaboration on LB589 as well as other legislation, and we hope we can continue to work together for the good of all Nebraska. With that, I'll take any questions you may have.

**LINEHAN:** Thank you very much. Can you pronounce your last name so I don't mess it up?

**CHAD MEISGEIER:** Certainly. It's Meisgeier, like three blind mice.

**LINEHAN:** Meisgeier. Thank you, Mr. Meisgeier. Are there questions from the committee? And this is uncom-- it's an uncomfortable question, OK, so you can refuse to answer it. Several people are coming here in neutral. So was there any discussion about coming in in neutral on this because next week we are going to be talking about a lot of new funding?

**CHAD MEISGEIER:** Certainly, how the three bills in particular work together was one of the things that influenced our decision to come in at neutral. Yes.

**LINEHAN:** So because it's a package, you'll understand that, right?

**CHAD MEISGEIER:** Correct.

**LINEHAN:** So when you have a package and you're negotiating, you get some things you want, but you don't get everything you want because that's not a negotiation.

**CHAD MEISGEIER:** Correct.

**LINEHAN:** And your groups all here that are all neutral understand that?

**CHAD MEISGEIER:** Well, I can't speak for other groups. Certainly, we understand it and we appreciate the willingness, again, of the Governor and Senator Briese's staff to listen and to continue to negotiate with regard to all education bills. They've been very open and very willing to listen.

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

**CHAD MEISGEIER:** Thank you.

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**LINEHAN:** Any other neutral positions? Good morning.

**LIZ STANDISH:** Good morning. My name is Liz Standish, L-i-z S-t-a-n-d-i-s-h, and I serve as the associate superintendent for business affairs for Lincoln Public Schools. I am here to testify in a neutral capacity today. The Lincoln Public School District appreciates the opportunity to participate in discussions related to school funding led by Governor Pillen. The opportunity to be at the table to exchange ideas in a consensus seeking manner has been greatly valued. The investment and prioritization in school funding is also very valued. The overall tone has been solution seeking. LPS was originally opposed to the original written LB589 based on the hard caps and the strict limits. We do appreciate the movement on the bill and the conversations and the listening from Senator Briese, Senator-- Governor's staff, and Senator Briese's staff. We do stand ready to stay at the table and work through concerns related to the bill. School board members are elected by a vote of the people to establish a budget and set a tax asking based on their local context. This work is governed through a process of public hearings, meetings, accountability, transparency, and public input. Additional caps on the existing levy does erode local control. I, I think we can all be honest about that. But I think what we're talking about is, is where is that moment where we are encroaching on local control that can be reasonable. And some of the work on the basic funding, some of the work on putting the factors on top of the basic funding has helped with that conversation with our Board of Education. We still may have a smidge of work to do, but we're here and ready to do it. The next area is where I would ask the committee to take a hard look at the scale. Senator Bostar, you asked some questions about this during the senator's introduction of the bill. The scale based on school district. So that scale would currently have 400 student school district having that 7 percent flexibility where 40,000 school district would have that 4 percent flexibility. And I had not realized until today that that was described as coming from the education community. I can share with you that did not come from Lincoln Public Schools. I don't know if that came from any of the large school districts that are over 10,000. Those school districts do represent 43 percent of the students in the state. And the reason I'm asking to think about that is the circumstances for school districts change from year to year. So in Lincoln, based on the assessment practices in Lancaster County, we are navigating sweeps and valleys and climbs, and we traditionally have done that through cash flow management. So, for example, '19-20 to 2021, 2021 to 2022, those years we held our budget very flat. We had less than half a percent growth. We reduced 100 FTE

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each year because we had a significant drop in revenue. We knew going into our '22-23 budget development, which was a 6 percent growth, but keep in mind this is after two years of really flat budgets, that we would be opening a new high school and a new elementary school. So we used some pretty strong cash management practices during that time to get through those rough years. And so it would be the idea that school districts that really focus on long-range planning, being really thoughtful and how they can provide stability for serving students would have an ability to deal with an extreme circumstance. I do know that we had some thoughts expressed by our partners at LIBA, and I would agree, I believe we have a great relationship. I go to their luncheon every July and do a full budget presentation, and we definitely want to make sure our community knows what our board is voting on. As a part of that process, we do spell out what the plans are because our estimate for valuation is never going to be the exact number that valuation comes in. We did have a number of cuts that were made during those times, like technology. That is one thing we restored and then we knew we had drawn down on the cash reserve so we did look at replenishing that. And in closing, I would underscore the concerns about the 3 percent base limitation. I believe the plus language does help with this slightly, but that is not going to keep up with inflation or what we need to do to attract and retain teachers. That is highly on our minds right now across the whole state. And so we do need some flexibility for inflationary pressures and for salary adjustments required to stay staffed. And with that, I'll close and be happy to answer any questions you might have.

**LINEHAN:** Any questions from the committee? Seeing none, thank you very much for being here. Is there anyone else wanting to testify in the neutral position? Senator Briese, would you like to close? Oh, letters. I'm sorry. Thank you. We had zero proponents, 12 opponents, and zero neutral.

**BRIESE:** Thank you again, Chairwoman Linehan and members of the committee. A few comments. Again, I'd like to apologize for the lateness of the amendment. I think the most recent iteration of the amendment hopefully would have cleared up a couple of the concerns of the opponents. Again, taking the voter-- the vote threshold from 75 to 70, allowing the accumulation of 3 percent plus those growth factors, ensuring the QCPUF issues are kept out of it, things of that sort. Someone did suggest, you know, why not do with the tax asking cap? But I want to point out the last couple of years, you know, I've talked about a tax asking cap. And in reality, it was much more onerous than this revenue cap. This revenue cap better accommodates, I think, the needs of our partners in the education community. And the revenue cap

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is an indirect tax asking cap. But the way it's done it is much less onerous and what would have occurred under the proposals last year. And we need to be clear again, you know, SPED is excluded from this. I think I heard a comment about SPED earlier, but, no, SPED is excluded from these calculations. And LPS was a little bit concerned about their 4 percent versus the small districts' 7 percent, but we also need to remember that that 4 is in addition to the 3, in addition to the fact-- the growth factors as well so a board could vote to exceed last year's by in excess of 7 percent there. My guess, bottom line is, you know, we continue to have a property tax crisis in this state. And some would suggest it's because of our failure to properly fund schools at the state level. Some have indicated we're 49th in the country in state support of education. Well, this package really is an opportunity to do something about it. And, you know, we, we need to remember what's at stake here. I mentioned it earlier, Chairman Linehan mentioned it, and I think somebody else mentioned it, too. It's a package and what, what is at stake here is foundation aid for our kids out in unequalized districts, what's at-- the special ed funding is arguably in the balance here, and our education future fund likely is in the balance in this discussion. So it is a package deal. We need to remember that. And I think we've made numerous accommodations to satisfy many of the concerns of our friends in the education community. I think it's a reasonable place to land on this. You know, we heard from the other side saying, well, we're not being strict enough here. So there's competing thoughts on what we have proposed here. And, you know, we all know in this body it's about finding consensus on items like this and finding a middle place to land. And I think this truly represents a good place to land on that. And I would ask for your support. Thank you.

**LINEHAN:** Thank you, Senator Briese. Are there questions from the committee? I have one because I haven't looked at your amendment either.

**BRIESE:** Sure.

**LINEHAN:** So you're saying they can go up 3 percent, but with the 70 percent vote, they can go, they can go up to 7 percent?

**BRIESE:** Yes, because it's a cap on how much more they can go. So it's an additional, I guess, it's 4 percent for the larger schools, up to 7 percent in addition for the others. And that, yeah, that was in there last year and it would have amounted to less last year. But it does reflect a recognition of local control. The public vote, you know, the

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60 percent public vote, there isn't-- we don't put any cap in there if they go to the voters.

**LINEHAN:** OK. Two things I would like to ask. Is it-- wave your hands, if you want to ask here and I don't see. Would you ask the education groups if they could provide-- because I don't remember seeing a lot of times in the paper when school boards have divided votes on the budget. Mostly I remember school boards voting, it's everybody on the school boards votes yes.

**BRIESE:** Typically.

**LINEHAN:** So could you ask them to provide us with numbers of times when they had votes that were--

**BRIESE:** Sure.

**LINEHAN:** --split--

**BRIESE:** Yeah.

**LINEHAN:** --when it comes to the budget?

**BRIESE:** Be good information.

**LINEHAN:** And then finally, I want to thank you for talking to ag groups and to having one person come for all eight of them.

**BRIESE:** Yes, well, that's, that's a, that's a--

**LINEHAN:** It's very, very considerate of the ag people.

**BRIESE:** Yes, hats off to them. And I thank them for that as well. I think made, made the hearing much more efficient that way and we all appreciate that.

**LINEHAN:** OK. With that, call the hearing on LB589 to a close.

**BRIESE:** Thank you.

**LINEHAN:** Um-hum.

**von GILLERN:** [RECORDER MALFUNCTION] the Revenue Committee public hearing. My name is Brad von Gillern. I'm the Vice Chair of Revenue. I represent District 4 in west Omaha, and I will serve as the Chair during the first testimony, this morn-- or this afternoon. The committee will take up bills in the order that they're posted outside



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the hearing room. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit or eliminate handout, handouts. If you're unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 12 p.m. the day prior to the hearing. Letters emailed to a senator's staff member will not be a part of the permanent record. If you're unable to attend and testify at a public hearing due to disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off all cell phones and electronic devices. The order of testimony-- the order of testimony is the introducer, proponents, opponents, neutral, and the closing remarks. If you'll be testifying, please complete the green form and hand it in to the committee clerk when you come up to testify. If you've written materials that you'd like to distribute to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to five minutes and we will use the light system. Green indicates four minutes; yellow is one minute remains; and red is please wrap up your comments. If there are many wishing to testify, we'll use a three-minute testimony limit, but that won't apply for this afternoon. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my left is Lyle Wheeler. To Lyle's left-- Lyle is our legal counsel. To Lyle's left is Charles Hamilton, our research analyst. And to the far left is our committee clerk, Tomas Weekly. Committee members with us today, I'd like to ask them to introduce themselves, beginning on my right.

**KAUTH:** Kathleen Kauth, LD31.

**MURMAN:** Dave Murman from Glenvil, District 38, represent eight counties in southern Nebraska in the middle part of the state.

**BRIESE:** Good afternoon. Tom Briese. I represent District 41.

**DUNGAN:** George Dungan, District 26, northeast Lincoln.

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**von GILLERN:** Thank you. Our two pages today are Amelia, who is a senior at UNL studying political science and Caitlyn, a junior at UNL, also studying political science. Are we down one page? Oh, there you are. You're behind George, couldn't see you.

**DUNGAN:** My apologies.

**von GILLERN:** Hiding back there. Thank you. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indication of support or opposition. For our audience, live microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and are a critical part of our state government. And with that, we'll open the hearing this afternoon with LB74 and I'll ask Senator Linehan to open.

**LINEHAN:** Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I am from Legislative District 39, which is Elkhorn and Waterloo in Douglas County. I'm here today to introduce LB74. LB74 addresses an unfair consequence of Nebraska's contractor law. We are handing out-- I need the pages, please. I'm handing out copies of the Contractor Options At-A-Glance from the Nebraska Department of Revenue. This should give you a quick and easy way to understand how the sales and use tax applies to contractors and customers defined within LB74 as the individuals qualified for the buy-based exemption. Simple, right? What ends up happening is this. If you are a manufacturer purchasing manufacturing machinery and equipment and have it installed by a contractor you bought it from, you will lose your exemption from the sales and use tax because of an option chosen by your contractor in certain cases. However, you purchase and sell the same items yourself, you will-- you will get the exemption for certain, certain situations. Why does the option choose-- why does the option chosen by the contractor dictate whether a qualified manufacturer purchasing manufacturing machinery or equipment retains the sales and use tax exemption that they should have otherwise been clearly entitled to? With respect to other exemptions and entities, namely nonprofits, Nebraska law already allows for what is known as purchasing agent authorization, see NRS 77-2704.12, PAA . Exempt organiz-- organizations are allowed to pass their exempt status on to qualified purchase to a designee agent to preserve their exemption when they have a third party making qualified purchases on their behalf. LB74

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allows the statutory structure and affords qualified manufacturers to make the same appointment to third-party contractors by assigning them as a purchasing agent and thereby preserving the exemption. Nebraska law clearly intended to afford them. I have brought with me AM169. Again, I need the pages to hand this out. Thanks. AM169, which does not create any substant-- substantive change to the effect or intent of LB74. Rather, the amendment is a clarification to the statute to expressly define and identify what a buyer-based exemption is for purposes of LB74 and the statutes affected. I would ask the committee to approve this bill and advance it to the floor consideration of your body. One of the things I need to say about this bill. The committee had this bill last year. We put it in the sales tax package. It-- I can't remember. I think we were on Final Reading. So it passed General File, passed Select File. In general reading, there was a meeting between the Speaker, Chairman of Appropriations, Chairman of Revenue, myself, and we were-- I don't know. It was in the out years and we were off, I think, \$20 million, \$25 million. So I was asked to find a cut in tax expenditures or tax cuts, find \$10 million on my side and Appropriations had to find \$10 million on their site. And I was looking at a group of bills and the only bill I could see that was \$10 million that I thought was fair to cancel was-- or take off the list was my bill. So this bill already went through the whole process once, got approved, and then because of the out years and the way the green sheet works, which those of you new will find out the green sheet is very, very important, I killed my own bill. So I would like you to pass it out of committee, get it passed soon. Because I-- so I'll take questions.

**von GILLERN:** Thank you, Senator Linehan. Any questions from the committee? I have one question. The amendment, AM169 that changed-- the bill was submitted last year, but this is a slight change to what was submitted last year?

**LINEHAN:** Because our legal counsel found a technical, technical fix he thought would be helpful.

**von GILLERN:** Great. Thank you. And I presume you'll stay to close.

**LINEHAN:** I will stay. I'll miss the party outside.

**von GILLERN:** All right. Thank you. Any proponents that would like to speak on behalf of LB74?

**STACY WATSON:** Good afternoon, Vice Chair Senator von Gillern and the committee. My name is Stacy Watson, S-t-a-c-y W-a-t-s-o-n, and I am

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here representing the Nebraska Chamber. We are in support of LB74. And as Senator Linehan had stated, so, you know, in the past, everybody gets to choose their contractor from one, two or three. But if a buyer-based exemption was available to, say, a nonprofit or an exempt organization, they got to pass that through to the contractor. So when they bought the materials, the buyer who has the actual exemption wasn't charged tax as a pass-through cost from that contractor. When the manufacturing exemption was passed, that didn't seem to be addressed. And so I felt like we kind of missed treating all contractors fairly. So it shouldn't matter who comes in and installs your material ultimately. It should matter how are you using the materials that are being installed for you? But the way the law is currently written, it matters who installs, not who's using. So that would-- if you went back and said, OK, well, if we did that for all buyers-based exemptions, right. So if I'm the federal government and I have a buyer-based exemption, if a 2 or 3 installed it, the federal government would have to pay sales tax. That doesn't make sense. So if a manufacturer is truly using the equipment for manufacturing, why should they have to pay a pass-through cost from a contractor just based on the number that the contractor has picked over time? So I think that the purchasing agent appointment is a very easy fix to, you know, they're used to getting these forms. You're not messing with the contractors at all. They see these forms all the time. People are used to passing them out for their exemption. So I think that it would be an easy fix. And I don't think that there's any reason that a contractor should be treated differently for a buyer-based exemption, just based on the contractor option that they've chosen. So if you have any questions, sales tax is my favorite thing to do. So, you know, don't hold back. This is what I live for. And it's currently income tax season, so I'm a little bummed out so I volunteered to come today. So, you know, just let me know.

**von GILLERN:** Thank you. Questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Senator von Gillern. What type of businesses are you talking about that would be the exempt, the use?

**STACY WATSON:** The user ones

**KAUTH:** Yeah.

**STACY WATSON:** --for this particular bill? So generally, mostly manufacturing. So if any kind of widgets, furniture, you know, pork producers, beef producers, anybody like that currently that is manufacturing a widget and we've defined in the code to be a

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manufacturer or a processor currently cannot use 2 or 3, option 2 or 3 contractors without paying the additional sales tax through the pass-through cost.

**von GILLERN:** Any other questions?

**STACY WATSON:** Thank you.

**von GILLERN:** Thank you, Ms. Watson, appreciate it.

**STACY WATSON:** Have a great afternoon.

**von GILLERN:** Thank you. Any other proponents? Good afternoon.

**SHANA DAHLGREN:** Thank you. Mr. Chairman, members of the Revenue Committee, my name is Shana Dahlgren, spelled S-h-a-n-a D-a-h-l-g-r-e-n. I am the chief financial officer for KAAPA Ethanol Holdings, LLC, and appearing before you today in support of LB74. First, I want to thank Senator Linerh-- Senator Linehan for introducing LB74 and for introducing the same proposal last year. LB74 addresses a disparity in Nebraska's current tax structure that requires the same manufacturing machinery and equipment to be taxed differently depending on who is installing the equipment. The Nebraska Legislature has taken steps to exempt manufacturing and processing, processing equipment from sales and use tax since 2006, and LB74 would, would be a further step in this direction. Under the current state, current sales and use tax regimen, a manufacturer who has the internal resources and technical expertise to purchase and install manufacturing equipment themselves wouldn't be subject to sales tax-- sales and use tax. They are eligible for the buyer-based tax exemption. However, another manufacturer who is adding the same new manufacturing equipment but doesn't have the internal resources and technical expertise to install the equipment themselves would be required to hire a contractor to complete the project. Depending on the contractor's option selection 1, 2 or 3, their purchase for equipment and materials would likely be subject to tax and sales and use tax, therefore passing on the manufacturer-- on to the manufacturer the increased costs for sales and use tax. Same equipment, just different tax treatment. Imagine the type of manufacturers able to avoid sales and use tax. Their profile would likely be larger national or multinational manufacturers. Large manufacturers are more likely to be advantaged by Nebraska's current exemption for manufacturing and equipment. They typically have more resources to be able to come in and install their own equipment than smaller firms do. LB74 takes a step forward in addressing this

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disparity and equalizing the playing field between manufacturers with different means to install the same equipment. LB74 addresses a question of fairness in Nebraska's tax code. I urge the Revenue Committee to advance LB74 to General File, and I'm happy to answer any of your questions.

**von GILLERN:** Questions from the committee? Seeing none, thank you, Ms. Dahlgren, appreciate it.

**SHANA DAHLGREN:** Thank you.

**von GILLERN:** Good afternoon.

**DAWN CALDWELL:** Good afternoon, Vice Chair. I'm just going to say I feel really good being in the Revenue Committee, and I've never, ever said that before. [LAUGHTER] My name is Dawn Caldwell, D-a-w-n C-a-l-d-w-e-l-l. I'm privileged to be the executive director of Renewable Fuels Nebraska, the trade organization for Nebraska's 2.2 billion gallons and nearly \$5 billion per year ethanol industry. RFN's producer member companies support LB74, which would simply provide fairness when applying Nebraska sales and use tax exemptions for installed manufacturing machinery and equipment. You heard from Ms. Dahlgren that sales tax exemptions are discriminately applied when it comes to installing manufacturing machinery and equipment depending on the category of the contractor. We encourage passage of this legislation to continue to bolster an inviting and progressive business climate in Nebraska to not only promote expansion of current businesses but also be welcoming to new industry. As plants consider opportunities for efficiency upgrades or for value-added products beyond the basic ethanol and distillers grains, this allows them to give projects stronger consideration based on how that investment would impact their bottom line. A sincere thank you to Senator Linehan for introducing LB74 again this year. And I ask that you please choose to level the playing field and advance the bill to General File. Thank you. And I would answer questions.

**von GILLERN:** Thank you. Any questions from the committee? Seeing none, thank you, Ms. Caldwell.

**DAWN CALDWELL:** Thank you all.

**von GILLERN:** Any other proponents? Any opponents? Any neutral testimony for LB74? Senator Linehan, would you like to close? Senator Linehan waives closing. We will close the hearing on LB74. Oh, do we have letters? Do we have letters? I didn't ask. No.

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**Speaker 4:** No, we.

**Speaker 1:** Didn't throw up. And that's of the safety concerns go to women across the.

**LINEHAN:** If only it was across the hall. Okay.

**LINEHAN:** Good afternoon. And we will open the hearing on LB146. Good afternoon, Senator Kauth.

**KAUTH:** Good afternoon, Chairwoman Linehan and members of the committee. My name is Kathleen Kauth, K-a-t-h-l-e-e-n K-a-u-t-h. I represent District 31 in southwest Omaha. I'm here today to introduce LB146, which changes certain provisions for improvements on lease lands and the methods used to give notice. It's a cleanup bill. This changes the notification timing of improvements made before March 1 to "on or before March 1." It also allows, with the written permission of the taxpayer, for the Tax Commissioner to give any notice required by email or other electronic means. So we're coming into the 21st Century. We're updating and bringing how they can con-- how the Tax Commissioner can contact people, ensuring that those who improve lease lands don't miss the deadlines to notify the county assessor that the improvements made are on the property of the lessee. Basically what was happening is people would make improvements that they were going to own, but they forgot to notify until March 1 or they just didn't get it done. And it was before March 1 that they had to have it done. So this just changes the language to make it a little bit more flexible for people so they're not missing by one day that notification period. Thank you for your consideration of LB146. I believe it's consent calendar material; would appreciate it if the members of the Revenue Committee would vote to advance it out of committee.

**LINEHAN:** Thank you, Senator Kauth. Are there any questions from the committee? Senator Dungan.

**KAUTH:** Of course.

**DUNGAN:** Thank you, Chair Linehan. And thank you, Senator Kauth. Genuinely, genuinely curious about this. It sounds like the original intent of the requirements when it gets sent by mail to have it first class, registered, or certified is to ensure

**KAUTH:** That [INAUDIBLE]

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**DUNGAN:** --an acknowledgment when it's received. Is there any kind of similar assurance with regard to email or is it just that we're in the 21st century [INAUDIBLE]?

**KAUTH:** So it says "with the written permission of the taxpayer," so basically the taxpayer would have to say to the Tax Commissioner, hey, I really prefer by email, please do it this way. And then so it's a choice. They can do it either/or. If they don't request it, it continues to be done the way it was.

**DUNGAN:** So they're acknowledging--

**KAUTH:** Yes.

**DUNGAN:** --they'll receive it at some point and they're cool with that.

**KAUTH:** Yeah.

**DUNGAN:** Great. Thank you.

**KAUTH:** Thank you.

**DUNGAN:** Thank you, Chair.

**LINEHAN:** Thank you, Senator Dungan. Any other questions from the committee? Seeing none, thank you very much. Are there proponents for the bill? Good afternoon.

**JON CANNON:** Good afternoon, Chairwoman Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. And for the record, this is my favorite committee. So no matter what any of the previous, previous testifiers may have said, this is the one and only for me. We certainly would like to thank Senator Kauth for bringing this, this bill forward. The NACO board voted to support this. Basically, it's a technical cleanup from our perspective. In the county assessor's office, if you have something that says there's a deadline before a particular date, people are going to ask, does that mean that particular date it also exists? If you say "on or before," it provides clarity. And I think anything that we can do to make the, the hidden gears of government move just a little bit more smoothly, I think it's a good thing. Harmonizes with other provisions we have in the law. That's all I have and happy to take any questions.



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**LINEHAN:** Thank you, Mr. Cannon. Are there questions from the committee? OK. I admit my ignorance. What is being sent by electronic mail?

**JON CANNON:** So this is the notice provision required by the Tax Commissioner under the Revenue Act. And act-- my, my testimony is only related to the improvement on lease lands portion. But it's, it's anything, any written notice required by the Tax Commissioner with prior permission from the taxpayer, they can send it via electronic mail.

**LINEHAN:** So would be your valuation, like they can email it to you instead of mailing it to you?

**JON CANNON:** This is from the Tax Commissioner and so it--

**LINEHAN:** OK, Tax Commissioner, wrong person.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** OK. [INAUDIBLE] question. OK. Any other [INAUDIBLE] questions [INAUDIBLE]? Thank you very much for being here.

**JON CANNON:** Thank you, ma'am.

**LINEHAN:** Are there other proponents? Are there any opponents? Is there anyone wanting to testify in a neutral position? OK. Senator Kauth, would you like to close? Such a big decision. Senator Kauth waives closing, but we do have two letters, two proponents, one from the CPAs and Nebraska Farm Bureau. Everybody's on board. With that, we close LB146 and open on LB147.

**KAUTH:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Kathleen Kauth, spelled K-a-t-h-l-e-e-n K-a-u-t-h. I represent District 31 in southwest Omaha. I'm here today to introduce LB147. LB147 makes minor modifications to how the county treasurer notifies a political subdivision of a refund. Currently, if a refund is less than \$200, the county board may waive the notice requirement to the political subdivision. Under LB147, a political subdivision whose refund is \$1,000 or less could waive the notice requirement by notifying the county treasurer in writing. Notifications of refunds can now also be made by electronic means if the political subdivision makes the request in writing. Very similar to LB146. We're just dealing with different entities. Basically, the political subdivisions don't want to deal with all of the paperwork

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that goes into something less than \$1,000 so they've asked that that limit be raised to the thousand dollars. And that is all.

**LINEHAN:** All right. Are there any questions from the committee? Seeing none, thank you very much. Proponents.

**CANDACE MEREDITH:** Good afternoon.

**LINEHAN:** Good afternoon.

**CANDACE MEREDITH:** My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h. And I am the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, and I am here today as a proponent of LB147. Thank you, Senator Kauth, for introducing this bill. As the senator mentioned, after the Board of Equalization makes that determination of requiring a tax refund, that county treasurer is required to notify a political subdivision by mail when a tax refund will be issued and their short-- their share of the refund is over \$200. As she mentioned, this has become quite an administrative lift. So the recommended notification change would align with the updated 2022 legislation to 77-1736.06 that eliminated political subdivisions to declare hardship on taxpayer refunds. In addition, the recommended change would reduce county administrative time, as well as cost for supplies and postage if this notification to the political subdivision was increased to \$1,000 or less with electronic notification option. So I'd be happy to answer any questions.

**LINEHAN:** Thank you very much. Are there any questions from the committee? Senator von Gillern.

**von GILLERN:** Does, does this then show up, and maybe this is the wrong example, like unclaimed property that the State Treasurer is trying to run somebody down to collect?

**CANDACE MEREDITH:** No. That's from the state area. This is for when, so when the Board of Equalization has determined that a property tax was overassessed and the taxpayer had overpaid, then the Board of Equalization will have the treasurer issue a refund, a tax refund. And so obviously with the tax refund, there's all sorts of political subdivisions on there that would be impacted by that refund. So it's been stated that in years past here that anything over \$200 a county treasurer must notify that political subdivision.

**von GILLERN:** Got it. OK. Thank you.

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**CANDACE MEREDITH:** Yeah.

**LINEHAN:** Thank you, Senator von Gillern. Are there other questions for the committee? Seeing none, thank you very much.

**CANDACE MEREDITH:** Thank you.

**LINEHAN:** Wait. Do we have any letters? No. OK. Anybody neutral? Oh, [INAUDIBLE] opposition? OK. All right. And Senator Kauth waives closing. So that brings us to close on LB147.

\_\_\_\_\_ : Perfect timing.

**von GILLERN:** Yeah.

**DUNGAN:** You want us to do it again?

**KAUTH:** Oh, you know what? She, she looked over there for a question from George, and [INAUDIBLE]

**BOSTAR:** I let you down. I understand.

**KAUTH:** I expect a double.

**BOSTAR:** That's right.

**LINEHAN:** So. Wow. It's 2:00.