

the terminal system and this terminal system is the one used for railroad taxes paid to municipalities. So city governments derive their funds from the railroads through the terminal system. Now the terminal system is basically locally assessed property within the confines of the city and virtually every village in the State of Nebraska that has railroad tracks through it does have some type of a terminal, and those are initially assessed by the local county assessor. They are sent to the State Board of Equalization and Assessment where they are certified but the input in the terminal system is local and we are not making in LB 103 any change in the terminal tax system. Repeat that, absolutely no change in this bill so far as the funding of city governments go from railroads. Now the terminal tax system is very complicated, but since we are making no changes in that system, I am going to ignore a discussion of that system. I would now like to quickly review for you the unit system of railroad taxation. All political subdivisions except municipalities that have the authority to levy a property tax derive their support from the unit system and this is also sometimes called the main line system. The unit system works as follows. The State Board of Equalization and assessment arrives at a value for each rail company that operates in the State of Nebraska. The value of that rail company is based on three factors; number one, stock and debt; number two, net income; and number three, the historical cost of that railroad. After arriving at a total value for a railroad company for all states within which the railroad operates, not just in the State of Nebraska, but for all states within which the railroad operates, the State Board of Equalization and Assessment allocates a portion of that value to the State of Nebraska. Four factors are used in determining the allocated value of a railroad company to the State of Nebraska. Those four factors include traffic units, gross earnings, car and locomotive miles and the number of miles of main line track located within the State of Nebraska. The allocated value is yet further divided as the allocated value of a railroad company is assigned to various operating lines within the State of Nebraska based upon traffic density. For example, the total value of Burlington Northern railroad in the seven or eight states which it operates in is about a hundred million dollars. The value allocated to the State of Nebraska is approximately thirty-five million dollars while the value assigned for a particular line, for example, Table Rock to South Dakota state line, a branch of the Burlington Northern line, could be about ten million dollars. So it is divided up in that type of a fashion. Once we have determined the assigned value of a railroad company, we