

your presence, please. Thank you. Senator Labedz, would you record your presence, please. Senator Robak, record your presence, please. Senator Bernard-Stevens. Senator Chambers, would you record your presence, please. Thanks. We're looking for Senator Lynch, Senator Owen Elmer, Senator Peterson, Senator Pirsch. Senator Kristensen, record your presence, please. Thank you. Okay, we're looking for Senator Bernard-Stevens is all. Senator McFarland, shall we go ahead with your roll call vote?

SENATOR MCFARLAND: That would be fine.

PRESIDENT: All right. The question is the advancement of the bill. Mr. Clerk, please.

CLERK: (Roll call vote taken. See page 297 of the Legislative Journal.) 21 ayes, 25 nays, Mr. President, on the advancement.

PRESIDENT: LB 180 fails to advance. Mr. Clerk, do you have anything for the record, please?

CLERK: Yes, Mr. President, I do.

PRESIDENT: The call is raised.

CLERK: Mr. President, new bills. (Read by title for the first time LBs 600-647. See pages 298-308 of the Legislative Journal.)

Mr. President, in addition to those items, I have hearing notice from the Natural Resources Committee, signed by Senator Schmit. Notice of hearing from the Revenue Committee. That is signed by Senator Hall. Notice of hearing from the Government Committee. That's signed by Senator Baack.

Mr. President, that's all that I have at this time.

PRESIDENT: We will progress on to LB 190.

CLERK: Mr. President, LB 190 was a bill that was introduced Senator Withem. (Read title.) The bill was introduced on January 9, referred to Education, advanced to General File. I have no amendments to the bill, Mr. President.

PRESIDENT: (Gavel.) Senator Withem, just a moment, maybe we

March 9, 1989

LB 54, 78, 84, 137, 287, 335, 438
611
LR 51

Priority bill designation. Senator Lamb has selected LB 84; Senator Beyer, LB 78; Senator Haberman, as Chair of Retirement, LB 137 and LB 287; Senator Korshoj, LB 335; Senator Moore, LB 611; all of those designating priority bills.

Mr. President, new resolution, LR 51 by Senator McFarland. (Read brief description of LR 51 as found on page 1045 of the Legislative Journal.) That will be referred to Reference Committee.

Mr. President, your Committee on Education whose Chair is Senator Withem, to whom was referred LB 438, instructs me to report the same back to the Legislature with the recommendation that it be advanced to General File.

Mr. President, Natural Resources Committee will have an Executive Session today in Room 1517 at one-thirty. Natural Resources, one-thirty in Room 1517.

SPEAKER BARRETT: Thank you. Proceeding next to General File, priority bills. Mr. Clerk.

CLERK: Mr. President, LB 54 is scheduled for debate this morning. It was a bill introduced by Senator Weihsing. (Read title.) The bill was introduced on January 5. It was referred to the Agriculture Committee. The bill was advanced to General File. I do have committee amendments pending by the Agriculture Committee, Mr. President.

SPEAKER BARRETT: Thank you. (Cavel.) The house will come to order, please. Committee amendments to LB 54, Senator Johnson.

SENATOR R. JOHNSON: Mr. Speaker and members, as the Clerk has already identified, this bill requires food service establishments to post the type of cooking oils they use in preparation of the food served in that establishment. The committee made actually two changes to the bill, one is the more technical aspect of the committee amendments, simply changing the terminology in the bill as it relates to cholesterol content and changing that to percent of saturated fat. The more substantial committee change would go ahead and have the penalty section amended so that when a food establishment fails to post a sign as to what type of cooking oils are being used, the Department of Agriculture, which administers the Pure Food

March 9, 1989

LB 54, 84, 140, 162A, 214, 214A, 254
284, 284A, 318, 320, 357, 432, 443
499, 588, 611, 652, 781
LR 1, 7

General File; LB 432 is indefinitely postponed; LR 1 indefinitely postponed; LR 7 indefinitely postponed, and LB 588 advanced to General File with committee amendments. (See page 1049 of the Legislative Journal.)

Your Enrolling Clerk has presented the bills read earlier this morning to the Governor. (Re: LB 284, LB 284A, LB 499, LB 443, LB 214, LB 214A, LB 318 and LB 320. See page 1057 of the Legislative Journal.)

Priority bill designations: Government Committee is 640 and 639, Senator Abboud LB 592, Senator Hall LB 653, Senator Lindsay LB 681, Senator Elmer LB 429.

New A bill, Mr. President, LB 162A from Senator Rod Johnson. (Read by title for the first time as found on page 1057 of the Legislative Journal.)

I have amendments to be printed to LB 357 from Senator Schellpeper and Nelson, Senator Lindsay to LB 54, Senator Baack to LB 254, Senator Chizek to LB 140, Senator Hall to LB 781, Senator Withem to LB 652. (See pages 1049-57 of the Legislative Journal.)

Unanimous consent for addition of names as co-sponsors, LB 611 Senator Rod Johnson; and LB 84 from Senator Haberman. (See pages 1057-58 of the Legislative Journal.)

That's all that I have, Mr. President.

SPEAKER BARRETT: Thank you. The Chair recognizes the member from the 33rd District, Senator Jacklyn Smith.

SENATOR SMITH: Thank you, Mr. Speaker. I would like to make a motion to adjourn until Monday, March 13 at 9:00 a.m.

SPEAKER BARRETT: You've heard the motion to adjourn until nine o'clock Monday morning. Those in favor say aye. Opposed nay. Ayes have it, motion carried, we are adjourned.

Proofed by:

Arleen McCrory
Arleen McCrory

March 13, 1989

LB 84, 140, 154, 183, 285A, 340, 405
406, 522, 528, 611, 634, 653A, 655
657, 700, 739, 747, 774, 807
LR 18

record your presence. Members outside the Legislative Chamber, please return. Senator Hefner, please record your presence. Senator Labedz, Senator Haberman. Senator McFarland, the house is under call. Senator Chizek, Senator Haberman apparently is the only one that is absent. Can we go ahead? And did you request a roll call? Thank you. Members, please return to your seats for a roll call vote on the advancement of the bill. Proceed with the roll call vote, Mr. Clerk.

CLERK: (Roll call vote taken. See pages 1091-92 of the Legislative Journal.) 18 ayes...Senator Chizek.

SPEAKER BARRETT: Senator Chizek.

SENATOR CHIZEK: I want to change my vote from yes to no for purposes of reconsideration.

SPEAKER BARRETT: Thank you.

CLERK: Senator Chizek changing from yes to no. 17 ayes, 19 nays, Mr. President, on the advancement of 140.

SPEAKER BARRETT: Motion fails. For the record, Mr. Clerk. The call is raised.

CLERK: Mr. President, your Committee on Revenue, whose Chair is Senator Hall, reports LB 84 to General File with amendments, LB 611 to General File with amendments, LB 739 to General File with amendments, LB 747 to General File with amendments, LB 807 to General File with amendments, LR 18CA indefinitely postponed, LB 405 indefinitely postponed, LB 406 indefinitely postponed, LB 522 indefinitely postponed, LB 528 indefinitely postponed, LB 634 indefinitely postponed, LB 655 indefinitely postponed, LB 657 indefinitely postponed, LB 700 indefinitely postponed, and LB 774 indefinitely postponed. Those are signed by Senator Hall as Chair of the Revenue Committee. (See pages 1092-93 and 1107-08 of the Legislative Journal.)

Mr. President, Senator Baack has amendments to LB 340 to be printed; Senator McFarland to LB 739; Senator Baack to LB 183; and Senator Smith to LB 154. (See pages 1093-1100 of the Legislative Journal.)

Mr. President, I have new A bills. (Read LB 653A for the first time by title. LB 285A for the first time by title. Read

April 4, 1989

LB 137, 335A, 392, 482, 611, 695, 705

SENATOR HALL: I would move that LB 335A be advanced to E & R for Engrossing.

SPEAKER BARRETT: Shall LB 335A be advanced? All in favor say aye. Opposed no. Carried. The bill is advanced. LB 705.

CLERK: Mr. President, may I read some items for the record? I have a proposed rules change offered by Senator Wesely. That will be referred to the Rules Committee.

Enrollment and Review Committee reports LB 482, LB 695, and LB 392 to Select File some having E & R amendments attached. (See pages 1489-90 of the Legislative Journal.)

Mr. President, Senator Bernard-Stevens would like to add his name to LB 137 and to LB 611 as co-introducer.

Mr. President, the next bill is LB 705. The first order of business are adoption of Enrollment and Review...consideration of Enrollment and Review amendments, Mr. President.

SPEAKER BARRETT: Senator Lindsay, please.

SENATOR LINDSAY: Mr. President, I move that the E & R amendments to LB 705 be adopted.

SPEAKER BARRETT: You heard the motion to adopt the E & R amendments. Those in favor say aye. Opposed no. Carried. They are adopted.

CLERK: Mr. President, Senator Moore would move to indefinitely postpone the bill. Senator Lindsay would have the option to lay the bill over, Mr. President.

SPEAKER BARRETT: Senator Lindsay, your wishes.

SENATOR LINDSAY: We will take it up.

SPEAKER BARRETT: Take the bill up, thank you. Senator Moore.

SENATOR MOORE: Mr. Speaker and members, as you all remember, LB 705 is the bill that basically has the state giving a gift of about \$200,000 to Joslyn Art Museum down in Omaha, and I'm going to ask Senator Hall a question as I want to say this I have got

April 5, 1989

LB 611, 653

SPEAKER BARRETT: Those in favor of the adoption of the committee amendments vote aye, opposed nay. Please record.

CLERK: 25 ayes, 0 nays, Mr. President, on adoption of committee amendments.

SPEAKER BARRETT: The committee amendments are adopted. Anything further?

CLERK: Nothing further on the bill, Mr. President.

SPEAKER BARRETT: Senator Hall.

SENATOR HALL: Thank you, Mr. President. I would just again urge the body to advance the bill. Senator Withem pointed out the issue of assessment and valuation is a critical component of the whole issue of property taxes, valuations, how we fund the various forms of local government, and I think it is vitally important that we get a good grasp on how this is done across the state so that, (A), we understand it, and, secondly, that any misconceptions that we may have are alleviated, and if there are problems that need to be addressed, hopefully we will be able to collect the information necessary to work toward that end. So I would hope that the body would see fit to advance LB 653 to Select File. Thank you, Mr. President.

SPEAKER BARRETT: Thank you. Senator Hartnett.

SENATOR HARTNETT: (Mike off) ...I think that the comments of Senator Withem and Senator Hall on this issue because we do rely so heavily for local governments that is funded by property tax, and I think that we have a bill later on, Senator Moore's bill, LB 611, which will maybe, if it is passed, we will kind of move eventually, for the schools move to income tax, but I think that one of the things with the unequal assessment, and Senator Lamb has had a bill today dealing with ag land, but I think we need to move away from relying so heavily on property tax, so I, wholeheartedly, support the advancement of Senator Hall's bill dealing with LB 653. Thank you.

SPEAKER BARRETT: Thank you. Any other discussion? Seeing none, : 11 LB 653 be advanced to E & R Initial. All in favor vote aye opposed nay. Please record.

April 5, 1989

LB 611, 630

please vote aye, opposed nay. Please record.

CLERK: 26 ayes, 0 nays, Mr. President, on the advancement of LB 630.

SPEAKER BARRETT: LB 630 is advanced. Any messages on the President's desk?

CLERK: Mr. President, Senator Moore would like to print amendments to LB 611. (See page 1531 of the Legislative Journal.) That is all that I have.

SPEAKER BARRETT: Thank you. Senator Wehrbein, please, would you care to recess or adjourn us?

SENATOR WEHRBEIN: I would certainly appreciate that opportunity, Mr. Speaker, to adjourn us until tomorrow morning at 9:00 a.m., on April 6th.

SPEAKER BARRETT: You have heard the motion to adjourn until 9:00 a.m., tomorrow morning. Those in favor say aye. Opposed no. The ayes have it. Motion carried. We are adjourned. (Gavel.)

Proofed by:

LaVera Benischek

LaVera Benischek

Building done in oak. It was done by the principal of the school over at Cedar Rapids, which is in Boone County in my district, and he had the help of one of his students, I believe, to do that. I thought you might be interested in knowing that this came from my district and I also would like to acknowledge the fact that it was commissioned by Gil Grady and Associates and it will be on display in their place of business after it has been in our Capitol for a week. Thank you.

SPEAKER BARRETT: Thank you, sir. Mr. Clerk, LB 611.

CLERK: Mr. President, 611 was a bill that was introduced by Senator Moore, Rod Johnson, and Bernard-Stevens. (Read title.) The bill was introduced on January 19 of this year, Mr. President. It was referred to the Revenue Committee for public hearing. The bill was advanced to General File. I have committee amendments pending by the Revenue Committee. (See page 1092 of the Legislative Journal.)

SPEAKER BARRETT: On the committee amendments, Chairman Hall.

SENATOR HALL: Thank you, Mr. President and members. LB 611 was a bill that was brought by Senator Moore to the Revenue Committee. It is a bill that deals with changing the structure with regard to the funding of education at the local level through the use of an income tax. The committee amendments rewrite the entire bill and they are in a white copy in the front of the bill book prior to LB 611. There is an amendment to the committee amendments that would strike approximately three sections of the committee amendments, and I am going to just deal with the two sections that would be remaining with the adoption of the Moore amendment to the committee amendments. But prior to that, I just would talk a little bit about why I am going to support that amendment, and what brought us to that point. LB 611 is not a new idea. It is one that Senator Moore has brought for at least the last two years to the Revenue Committee, and prior to that, Senator Remmers, Senator Sieck, and I think Senator Burrows brought a bill similar to this, in some form or fashion, to the body to be addressed. So the idea is at least ten years old and probably much older than that, but it is a restructuring with regard to how we fund education. It moves us away from the reliance on property tax for the sole purpose of funding education for the primary and secondary levels. Statewide, approximately 62 percent of our property taxes go toward education costs in some form or fashion, whether

it be the local school district, the ESU, the technical college, whatever it might be. On a statewide average that is roughly 62 cents out of every property tax dollar goes toward education. In some districts, that is much higher. I know in the Omaha area, it is approximately 70 cents out of every dollar. In some districts, it is lower, but it is very easy to say that well over half of the property tax dollar that is paid by our constituents goes toward the funding of education at the local level. We have all heard that the need and the cry, the holler, that property taxes are extremely high in the State of Nebraska, and we have had a number of studies, a number of national surveys that have brought this to our attention. And Senator Moore and other members of the body brought a number of proposals to the Revenue Committee this year that dealt with the issue of property taxes, and in one form or another, there were over 32 bills that dealt with the issue of property taxes, dealt with either a reduction or a shift, some form of change in how we address the issue of property taxes. And what the Revenue Committee did was we sent three bills to the floor. We sent LB 611, which was Senator Moore's bill that deals with a restructuring of the funding, to move us away gradually, as it may be, from the reliance on property taxes. We sent Senator Howard Lamb's bill, which follows this bill, LB 84 which was a rebate bill, 10 percent. That is one that is favored by the agricultural interest in this state, and we also sent Senator Chizek's bill, LB 747, I think, or 737, one of the two, that follows Senator Lamb's bill, and that was a bill that dealt with the interest in the form of a homestead exemption that the urban folks tend to favor. After we sent those bills, we, basically, killed every other property tax proposal outside of LB 809, which was the Governor's proposal, that we heard toward the end of the session, and...end of the committee hearings, excuse me, and then that bill was ultimately last week advanced to the floor, but we sent these three bills to the floor feeling that they provided a vehicle in one way or another, in either one bill or another, the opportunity for us to address, not only short-term property tax relief, but also the issue of long-term change with regard to how we fund education and, ultimately, long-term property tax relief. The bill that we have before us, LB 611, was...it was decided that it would become a bill through Senator Moore's amendment, which will follow, that will address the long-term aspect. The problem that we have had in the past with addressing the property tax issue, the shift, if you will, away from property taxes, is that there has not been a mechanism by which the monies that we pump in kept consistent with the

increase and the need at the local level. In other words, even though we would allocate the funding, that they never kept pace because there are other local subdivisions of government that rely on property taxes. The schools' costs are not going to decrease, they are going to increase as the years go on, and the small amount of relief that we have provided traditionally in the way of a state aid appropriation has not been anything that has kept current or has kept pace with the increased costs or the increase in the local subdivisions of government. In order to achieve that end so that there is ultimately a property tax relief, we felt that there was a need to address the issue of alternative funding, and the income tax being the proposal that would be able to keep pace. I know Senator Schmit, and myself, and I think a number of other, I think Senator Bernard-Stevens, introduced bills that dealt with placing a sales tax formula into the funding mechanism to allow for property tax relief. Those proposals were rejected by the Revenue Committee. The proposal that was advanced out was LB 611, Senator Moore's, and that contains in the committee amendments two proposals that with the adoption of Senator Moore's amendments would be retained, and they are the issue of LB 104, which was another bill that was introduced by Senator Moore, that would render a tax return incomplete if it did not include the school district number on it. Currently, our tax returns allow for a box that asks for your school district number. Many of us, with over 800 school districts, do not know what our school district is. To date, that was just to provide information on a voluntary basis. What the committee amendments would do and what LB 104 did was provide that an income tax return would be incomplete if it did not have that information on it. What that means is that the return would be sent back to the filer and that information would be necessary in order to warrant a return complete, so they would have to fill out that box. The other part of the committee amendments that will be retained with the adoption of Senator Moore's amendment to them is the sunseting of the foundation and equalization aid that was the basis for bringing people to the table to discuss the issue of a shift from property tax to income tax. The committee amendments wiped out that foundation and equalization formula. Senator Moore's amendment will sunset them, so there is a change there with the Moore amendment, but the intent is the same, that we move away from foundation and equalization for basis of...

SPEAKER BARRETT: One minute.

SENATOR HALL: ...the structure with regard to state aid and calculate in the income, the property taxes, and state aid on an as needed basis. That is part of Senator Moore's, I think, introduction to his amendment, although the amendment does not do exactly what the original bill would do. With that, Mr. President, I would move that the committee amendments be adopted as they will be amended by Senator Moore's amendment, and I will speak to the Moore amendment when that is presented. Thank you.

SPEAKER BARRETT: Thank you, Senator Hall, and before going to the amendment on the Clerk's desk, I am pleased to advise that Senator Hefner has 15 high school students, future homemakers, from Crofton High School, with their teacher, in the north balcony. Would you people please stand and be welcomed by the Legislature. Thank you. We are pleased to have you with us. Mr. Clerk.

CLERK: Mr. President, Senator Moore would move to amend the committee amendments. Senator Moore's amendment, Mr. President, is AM1222. You will find it in your bill books.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Well, Mr. Speaker and members, I have got a handout which is AM1222, which is found on page 1531. Adoption of this amendment will basically become the committee amendments, and then what we will have is an amended version of 611 as outlined in the handout I have given you, and found on page 1531 in your bill book. That is one of those issues that I guess I can't apologize for, it is just a fact. It is very complicated and the things we are going to go through here today are somewhat complicated, so I only urge you listen up and, of course, ask me any questions you may have. With the adoption of this amendment, my amendment to the committee amendments, we will have the committee amendments and then the bill will basically do three basic things, three very basic things. The first of which is we will sunset the foundation and equalization aid January 1, 1991. This coincides with the sunset date on LB 84, as compromised, and the reason that that date is in there is because, quite simply, it is important that the Legislature come back next session and really finalize what it is we are going to do with school finance. The second thing that it does, it requires the same thing as LB 104, if you want to look at it in your bill books, it requires that every income tax form has

to have your school identification name on it. Right now, of course, it is on your form. Some people fill it out, some people don't, but there is really nothing in statute that mandates the Department of Revenue make sure that that information is filled out. This amendment, as it is already contained in the committee amendments, that form, income tax form, will be incomplete unless it has the correct school district identification number right. This is done so we get more accurate data as we move towards some...the implementation of a local income tax here in Nebraska. Now the third thing the amendment does is that basically the intent language found in 601 and 2, we all know intent language found in bills is probably worth about the. worth about the same amount of money the paper it is written on. Quite simply what it is, if you read that, it contains language that the Legislature realizes, in order to deal with the property taxes, we have to deal with school finances. To address the issue of school finances, the Legislature intends to replace the present school financing system with a system which shares the income tax base with local school districts. And, finally, and this important, in that subsection (2), the Legislature intends to assure property tax relief and tax equity by establishing limits on school district budget growth which limits are sensitive to local needs and spending levels. If you recognize that language, the majority of that language is lifted directly from the interim report of the School Finance Committee prepared by Senator Withem as Chair. Now what does this, LB 611, do as amended? Well, it is going to send us down the path, quite simply, this Legislature is going to do something to restructure the property taxes within the State of Nebraska. You know we spent \$350,000 in the Syracuse Study. Everybody under...not everybody, not quite everybody, the vast majority of Nebraskans say property taxes are too high. A lot of people wish that property taxes would go down without some corresponding increase in other taxes. I think we all know that can't be. The fact of the matter is the property taxes, depending on who you listen to, are anywhere from a third in some studies, eighth in others, and tenth in others, a very high property taxes, and in comparison, somewhat low sales and income tax. The fact of the matter is if we are ever going to lower those property taxes, we have to have some sort of tax shift to some other source of revenue on the state level. Actually, this bill as it legislates the process, that increase on the other level could either come from income or sales, whichever this body decides to do. You could simply increase the local income tax over and above the present state

income tax rate, or you can simply use the present state income tax, and dedicate a portion of that present tax rate back to local school districts. If you choose the latter, then, obviously, the lost revenue from the state would have to come up from some other tax source, preferably a sales tax. Now like I said, the intent language in this bill isn't worth that much. The real heart of it is, one, is that we are going to sunset foundation and equalization aid. That is going to be the hammer...that is going to be the hammer along with some other sunset language, and if we pass some other property tax relief measure, that is the hammer this Legislature is going to come back next year and really overhaul the whole tax system. Now one of the things that has been kind of frustrating for me is there seems to be a good deal of support for the concept in LB 611, and one thought is, just try to pass 611 in its pure form, and then pass 611 and study it the next year or two. We have done that with some other bills in the Legislature, namely, Senator Baack's school choice bill, and the Kearney State, basically we took action and then we are going to study it. Actually, this 611 works in the more historical trend, we are going to study it and then we are going to take action. To make sure that we are serious about taking action, it is important to realize that we are sunsetting in two years our school foundation and equalization aid. We are not setting up a new committee to study this. What we are doing is the present School Finance Review Commission created in LB 940 last year, chaired by Senator Withem, and Senator Lamb and myself are on that committee, that commission is already working towards a concept very similar to that found in the original LB 611. As you can see, it is my hope that we pass this bill, and in the interim, let the School Finance Review Commission, as well as the Revenue Committee, or anybody else, for that matter, who wants to continue to work on some different restructuring in the State of Nebraska to do so. The fact of the matter is the time clock is running and we are going to have to do something next year, we are locking ourselves into saying we are serious to the taxpayers, we understand there is a property tax problem, we have sat here for 20 years and demagogued on it, now is the time we are going to do something. Also, in 611, we basically are going to say, here is the direction we intend to go, but in the meantime, we are going to really figure out what it is we are going to do. We will, basically, say that we agree that some sort of dedication of the income tax base to local school districts is what we intend to do. Now, the two things I think it is important to realize is how LB 611 fits into with the

other property tax bills; property tax bills, we are going to debate LB 84 right after this. If you look at the handout, the part of the compromise in LB 84 that we have all read so much about, I guess the key part of the compromise from my point of view, somebody who wants to restructure the whole tax system, the key thing in LB 84, if we choose to pass that, is that LB 84 will be sunset in two years, as with school foundation and equalization aid. I think it is important to realize that LB 84, in my opinion, is simply a stopgap measure, a Band-Aid measure, as I said, last week. LB 84 or some other bill that is temporary, would simply serve as some local anesthetic, to serve as a painkiller until we get ready to do some major surgery next year. There is all that major surgery, the intent we are saying today if we pass LB 611 is we are going to share the income tax base with the school districts in the State of Nebraska, very similar to what they do in Kansas and other states in this country. Now another thing is a lot of people have asked me how does LB 611 fit in if for some reason LB 84 would fail, and the Governor's LB 809, obviously, LB 611 could passed in concert with that bill, as well, because both of those bills are simply stopgaps and would serve as a bridge to some sort of, what I am going to call, major restructuring contained in LB 611 and the intent thereof. So with that, and I have tried my hardest to give you information so you can understand this, but that is much easier said than done. I know many senators and staff received a packet of information a few weeks ago. I passed out this handout that I will go into a little bit later telling about the actual intent of the local income tax. I think for the time being now I have said plenty to complicate your minds, and if you have questions, now would be a good time to ask them of me or Senator Hall.

SPEAKER BARRETT: Thank you. Discussion on the Moore amendment to the committee amendments? Senator Landis, followed by Senators Withem, Rod Johnson and Lamb.

SENATOR LANDIS: Mr. Speaker, members of the Legislature, when Nebraska began, it was sensible to have a very high reliance on property taxes because most everybody was on the farm and farmland was land that produced wealth. So to have a property tax made sense. It was a way of, in those rough times, of having a graduated income tax. The more land you had, the more wealth you had, property tax had a progressive quality. With the rise of urban land, land that does not produce wealth but that occupies a form of wealth, that is to say the holdings are

assets of an individual, but in fact that they derive their wealth some place else, with the rise of that kind of land, we started sending two different kinds of kids to school, kids from rural areas where the land produced wealth and was valued in large parcels, and kids who went to school with or from homesteads or from residential homes where the wealth of the family was really in income, and not in the land that they held. The per pupil cost for the same kids, well, they were equivalent, but the contribution of the farm kids, through property taxes, were much greater than the contribution of the kids from residential areas whose holdings were much smaller than the farms. That dichotomy has produced a whole raft of problems. It has given rise to the Class I school. It has given rise to the state school funds formula fight. It has given rise to the state aid formula fights. It has given rise to Amendment 4. It has given rise to the free high tuition fights. It has given rise to the fight in the state aid formula between foundation and equalization all because if you mix a system with kids that come from farms, where you pay 3 or 4 thousand dollars worth of property taxes, with kids that come from residential property where they pay 400 or 500 dollars worth of property taxes, there is a rough sense of injustice, and we have tried to build boundaries around each other, and multiply or get some kind of an equalization advantage in our tax levies, all to get around this unyielding conceptual problem in the way we tax to support schools. Senator Moore's bill does something novel, something new, and at this point, well worth doing. He says the wealth of a school district is not simply the rural...I am sorry, not simply the real property in the jurisdiction, that the wealth of the district is more than just the valuation of the land, that there are people that have intangible property, people that have high returns in dividends on their investments, people who have high salaries but have modest living, people who have wealth but that wealth is not captured in property holdings, in real property holdings, and before we start sending money from one side of the state to the other, or from one kind of district to another in state aid, if we are going to transfer tax obligations, the first place we should look to transfer responsibility away from the real property taxpayer is to that person who lives in the same school district and who has wealth but in a different form than real property, the person whose wealth is in the form of income, the person whose wealth is in the form of dividends or investments. Let them share the responsibility to fund kids going to school. Before we look for somebody outside the district, measure the

April 10, 1989

LB 611

wealth of the district not only by the real property but by the wealth in terms of income in a district, and have the levies set so that you draw money from both.

SPEAKER BARRETT: One minute.

SENATOR LANDIS: It is that conceptual distinction that we transfer from the real property taxpayer to the wealth holder in the same jurisdiction but whose wealth is in the form of income. That is the real bellwether virtue of LB 611. I support the Moore amendment. I support the bill, and I'd suggest to you that it then makes much more sense of state aid, because state aid then has a darn good reason. State aid will be used to make up the difference between a genuinely poor district and a genuinely wealthy district, something that our current system does not adequately measure nor value because it is all on real property. If we get off the real property and the mix of real property plus income, equalization will have all the more meaningful role to play in school financing because it really will be the difference between poor districts and rich districts, and I don't mind sending Lincoln and Omaha sales and income tax dollars to poorer districts.

SPEAKER BARRETT: Time.

SENATOR LANDIS: That is all right. That is a sensible exchange or transfer of value, but I am not comfortable with the way it is done now. LB 611 will make that system much more sensible. I support the bill. I urge you to do the same.

SPEAKER BARRETT: Senator Withem, further discussion.

SENATOR WITHEM: Yes, Mr. Speaker and members of the body, last year if you will remember, we were in the midst of one of our almost annual fights on school district reorganization. We were debating a bill, LB 940. LB 940 passed the Legislature, a portion of LB 940 set up a study commission to study the area of school finance recognizing that the financing of schools is an integral part of education quality, education structure, and also of taxation policy. That commission is about halfway finished with its work, I would say, maybe even more than halfway. We have issued an interim report giving the broad objectives of what the commission is all about and I think you have all had access to that report, a number of you attended the briefing. Some people have had questions of me, is 611 moving

in an opposite direction of that School Finance Review Commission. It certainly is not. As a matter of fact, the broad philosophical components of what Senator Moore is attempting to do are really identical to what the School Finance Review Commission is attempting to do. Now the specifics on how to do that were different in 611 as introduced from those that I sense the commission coming around to supporting, but with the committee amendment, with the Moore amendment to the committee amendment, and then the committee amendment in general, we are establishing a process, continuing down the road to ultimately changing the way in which we finance public education in this state. Nobody likes the way we finance education today. If we take a survey around the state, you would probably find an incredibly small minority of people of the state that think we have a good system. The problem has been in the past that any attempts to change that avowed a sizeable segment of people thinking that the effects of any given change are more negative to them than continuing with the current system, so we have tended to muddle along, but if we are going to change the way in which we tax property in this state, de-emphasize how we tax property, everybody concludes that you have to address the way we finance education. Stopgap proposals here in the Legislature that either enact homestead exemptions, rebates, both of which conceptually I support as stopgap proposals, or whether it be in mere increases in the current state aid to education formula, all those are very stopgap. Now when we were debating on the floor early in the session about a \$50 million set-aside for our property tax relief, Senator Warner distributed some information. It was 100 percent correct, and I think I said it was correct at that time. I have come to believe in it more firmly now, and that is that a mere transfer of a set of dollars into property tax relief is no lasting solution. We currently spend a billion dollars to educate young people in this state. Twenty-six percent of that comes from the state government. That leaves quite high property taxes. If we are to increase our state funding of education by \$50 million, just as an example to pull a number out of the air, which we did earlier in the session, that was the number we pulled out of the air, that is really just a one-year hold harmless. If you have a billion dollar budget and you increase it by 5 percent spending in a given year, that is \$50 million. An increase of \$50 million is only a one-year hold harmless. If we are going to bring about an ultimate solution to the property tax problem, you are going to have to get public education onto a tax source that has a growth factor to it. Property has little or no growth. School

district budgets have had a 6 percent growth in the last decade. Six percent growth on a valuation that has little or no increase,...

SPEAKER BARRETT: One minute.

SENATOR WITHEM: ...obviously, leads to higher...pardon me, one minute, obviously, is going to lead to higher taxes. Sales tax has a 3 percent growth factor, better than property but it still...you are going to be running behind. Income tax has a 9 percent growth factor. School district budgets have a 6 percent growth factor. If the schools can share in the income tax base, we are going to be a lot better off in this property tax problem. I am going to punch my light. If there is time, I know there are lots of other people who are wishing to talk, talk a little bit more about where I see the School Finance Review Commission going. Just let me conclude this time with indicating that what I think the Revenue Committee has done, what Senator Moore is doing with these amendments to the committee amendments, and how the whole process in many ways seems to be coming together this session, recognizing we have to do something to deal with property taxes in the immediate, we are going to do that with LB 84, but in the long term, we are going to have to address the way in which we finance education, and Senator Moore's LB 611 with...

SPEAKER BARRETT: Time.

SENATOR WITHEM: ...his amendments is an excellent approach in that area and I urge you to support Senator Moore's amendments.

SPEAKER BARRETT: Senator Johnson.

SENATOR R. JOHNSON: Mr. President and members, I rise to support Senator Moore's effort to advance LB 611, and with these amendments, I support the concept of providing an alternative funding source for education. I think it has long been overdue and has needed to be adopted before this time, but because of failures by this body to address that problem, we are in the predicament we are in today. I raise only one red flag, and I don't know if it bothers anybody else, but it does bother me just a bit, not enough not today to advance the bill, but I am very concerned about the idea of sunseting the foundation and equalization aid formula. Now Senator Moore and others have said this is a hammer that we can hold over the head of this

April 10, 1989

LB 611
LR 2

Legislature and other bodies to move forward on school financing. Folks, that is not a hammer, that is a ten ton anvil that is going to drop on our heads, and I think it is time that...I guess I just raise that because I haven't heard a lot of people talking about it, but I am concerned about it. You are asking us to give up something we have in hand that I know that works for something that we don't know that we are going to adopt later in the future, and I am very concerned about that. I realize we have a School Finance Committee headed up by Senator Withem that is addressing finances, and Senator Moore is on that committee, but I guess I have difficulty at this particular point asking to vote on faith alone to basically tie the hands of this Legislature to come up with something in the future and give up this current formula without at least an alternative I can look at, a substance that I can hold and I can analyze, and it doesn't appear that that has come out yet and I realize that there is a lot to be done yet, and this issue has got a long ways to go before it is ever passed. But I raise that only as a red flag from my own personal standpoint. I don't know if it bothers anybody else but it does me because we heard a lot about on LR 2CA, the constitutional amendment, that mischief could abound if we changed the or amend the uniformity clause in the Constitution. I think the same could be said in this case as well. I don't know what the representation in this body will look like in '91, but I just want to make sure that I don't totally lose out in my districts, my school districts don't end up on the short end of the stick in this whole process, and that is why I am just a little nervous about voting for something I don't have in front of me and that I'm asked totally on faith to advance the bill. I am going to do that today. Hopefully, in the meantime, we will hear more discussion about what alternative financing mechanisms people are looking at to replace the finance foundation and equalization aid because I think that is something I am going to need an answer for before I can actually vote to pass the bill.

SPEAKER BARRETT: Senator Lamb.

SENATOR LAMB: Yes, Mr. President and members, I share Senator Johnson's problems with sunseting school aid that soon. I don't think by January 1st, 1991, this is going to be workable and in operation. I would suggest that a year later would be probably the earliest feasible date to completely eliminate state aid to schools at best. I would have a couple of questions for Senator Moore, and this really is conceptual and

is not directly a part of the bill, but one of the problems I have had with using local income tax for school districts is the fact that we have situations where a rancher will live in, say, North Platte but the money is actually earned out in a school district that he does not live in, and so the income from that ranch will be reported in a school district other than where he lives. Now I understand state aid is supposed to take up the slack if there are not sufficient local income tax revenues to support the school, but my concern is that if there is not that amount for various reasons, part of which may be because of nonresident owners, are we going to be assured, in your opinion, that more of the burden will not fall back eventually on property tax just because there is not sufficient revenues from the income tax in that local school district, Senator Moore?

SENATOR MOORE: Well, I guess that your question is of such length, I don't know how to answer it to tell you the truth.

SENATOR LAMB: Well, if there is not enough, if there is not enough income, you know, if there is not enough income in that district, is there going to be enough state aid to make up the difference there or is there still in that district going to be a very heavy reliance on property tax in the end?

SENATOR MOORE: Well, obviously, it depends on the valuation in that school district. Now what it is, if we want to get into a discussion, I think you understand that to qualify for state aid under this bill, everybody in the state, every district in the state would get a set amount back from income, whatever that percentage would be, that generates in that district, and, two, before they get any state aid, they have to levy a trigger levy before they get any state aid, obviously. Now the amount of state aid, obviously, depends on the valuation in that district. If, you know, a cent, a 1 percent levy in one district is going to give you a whole different than 1 cent in another district, and whatever the state aid guarantees up to the state average, so that is an unknown right now. You don't know what it is going to be until you actually work the numbers.

SENATOR LAMB: Thank you. I have had...I have had bills in the past which I supported. Senator Landis spelled it out pretty well, I think, the fact that we should have less reliance on property tax, and I agree, and have been attempting at various times to accomplish that. Have not had any success at this point, so I do support the concept, but I do believe that we are

a long way from that solving all the maybe relatively small problems but very real problems in coming to a logical solution there and would just call your attention to that fact at this point, and I do plan to support Senator Moore's amendment today, but I would just for...

SPEAKER BARRETT: One minute.

SENATOR LAMB: ...the record want to point out that this has not been worked out completely. There are a lot of unanswered questions as to how it would actually work, and that the 1991 date on doing away with state aid to schools under the present formula is probably unrealistic.

SPEAKER BARRETT: Senator Hall. Senator Schellpeper, followed by Senator Pirsch.

SENATOR SCHELLPEPER: Thank you, Mr. Speaker and members. I would like to ask Senator Moore a question, if I could.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Yes.

SENATOR SCHELLPEPER: Scott, I have two districts in or I have two towns in my district. One town has about 95 million valuation and it also has a high income. The other one has about 35 million valuation and a low income. How would you see these being equalized in your opinion?

SENATOR MOORE: Well, I am just guessing. Probably the district that has high income and high valuation is probably not going to get any state aid because they can tap that income, they are income wealthy and property wealthy. Now a district that is property poor and income poor is probably going to get a good chunk of state aid because they are poor in both factors. Up to date, the only way you would measure the wealth of a school district is what sort of property valuation there is. If you can allow a district to tap that income, there is two measurements then. So if you are income poor and property poor, obviously, the state is going to come in and equalize you up to a state level, state average level.

SENATOR SCHELLPEPER: So what you are saying, then, is that each pupil would have about so much income for each pupil?

SENATOR MOORE: Well, the concept bill is the state guarantees up to a certain amount of revenue per pupil. So every student in the state is guaranteed a certain amount of revenue per pupil. Whether that be from income and property or income, property, and state aid, the state guarantees a certain amount of revenue per pupil, that state average being just quite simply arithmetic. You take all the revenue from income and property in the state, dividing it, and the state is going to guarantee it through state aid that every pupil in the state has at least the state average per pupil revenue. It is complex but I am trying to explain it as best I can.

SENATOR SCHELLPEPER: Okay, thanks, Scott. I think this is a very good idea. I think the ideal thing is to eventually get to one-third sales, one-third income, one-third property, and this would sure get us in that direction. So I would sure support this amendment. Thank you.

SPEAKER BARRETT: Senator Pirsch, followed by Senators Bernard-Stevens, Schmit, Warner, and Moore.

SENATOR PIRSCH: Thank you, Mr. Speaker. I have a question of Senator Moore if he would yield.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Yes.

SENATOR PIRSCH: Senator Moore, as I now understand it better after the various speakers have asked you questions, it is not your intent then to go completely off the property tax?

SENATOR MOORE: No, not at all.

SENATOR PIRSCH: It would still be a factor in figuring out what kind of state aid we would have?

SENATOR MOORE: Yes. If you will look at...my actual goal is the last part of that handout I have given you is where we would like to go, eventually. This is our local income tax. About the 45 percent level statewide in property tax is what our goal is, at least.

SENATOR PIRSCH: One of my problems with the state equalization

and foundation has been counties that have purposely undervalued property. Would any of the provisions in 611 or do you see that being developed in the school equalization to counteract the rewarding to those who do not assess property up to their valuation as they should?

SENATOR MOORE: No, the bill does not directly deal with that whole animal of equalizing property values. No, it does not do that.

SENATOR PIRSCH: Okay. Also, if you would yield, and I don't know if I should ask this of Senator Hall, you have taken out of the committee amendments or you are taking out of the committee amendments a set tax rate, correct?

SENATOR MOORE: Yes, because we are, basically, going to come back in next year and figure out what it is we want to do so there is no set tax rate. You aren't actually enacting a local income tax with this bill. You don't actually go quite that far. You basically say we are going to do it, we are going to put the hammer in that we have to do it next year, but, no, you do not actually set a rate in the bill as amended.

SENATOR PIRSCH: So, therefore, then you eliminate the state income tax basic rate reduction figure that was in the committee amendments?

SENATOR MOORE: Yes.

SENATOR PIRSCH: And eliminate, indeed, the proceeds and how they are handled?

SENATOR MOORE: Yes, because what the section you are talking about was the skeleton of a local income tax process in Nebraska. We are actually moving that skeleton and saying we are going to buy up on the concept but we have to figure out between now and next year actually directly how to do it. I mean there is a rough sketch in that bill as you are reading right there. I guess I am not comfortable with passing a rough sketch and coming in next year and filling in the pieces. I would rather say, yes, I believe in the concept. We are going to figure out how to do it, and next year we are going to pass the final bill. Although sometimes we do that the other way around in this Legislature, I prefer that is the best way to do it.

SENATOR PIRSCH: Thank you. So what we will really have left in 611 is the intent of the Legislature to replace the present school financing and to assure property tax relief and tax equity, and then the technical school district's identification number?

SENATOR MOORE: Third thing in there is the sunset on foundation and equalization aid, the third thing will still be in there.

SENATOR PIRSCH: Yeah, that hammer will still be in. I guess I will support the amendment to LB 611 but I am curious to see how this will play out. Thank you.

SPEAKER BARRETT: Senator Bernard-Stevens.

SENATOR BERNARD-STEVENS: Thank you, Mr. Speaker. I was going to call the question but I did hear that Senator Warner had his light on and I would be curious to see, naturally, what he would be saying on the issue, so I will not do so at this particular time. I will make a couple of comments if I can. At the beginning of the legislative session back in January, if we can all remember back that way, Senator Withem and I and others brought up a \$50 million property tax relief, and it was stated to be just to bring the issue to the forefront, and the reason I bring that up again, and remind the body, is that basically the first week or so of the Legislature property tax was put as one of the major issues that this Legislature was going to face or try to deal with. Of course, many Legislatures in the past have said the same thing, and the real question that hung out there in the minds of many in the media, and I am sure the people of our districts was, yes, we have heard this before but what are you really going to end up doing. After that, we had numerous bills introduced to the Revenue Committee which Senator Hall took some time to go through, and I, myself, had a couple of options that I put in simply for the Revenue Committee to have other choices; one being very similar to 611, a local option income tax, and also a clause similar to LB 104. All of a sudden, we had a lot of bills. We were wondering what the Revenue Committee was going to come up with but there was no focus, no one had any particular area that they were looking at that was taking the forefront. And then by magic over the weekend, over a period of time, a light shone and it shone on, basically, a small group of the Legislature, who sometimes always get together, such people as Senator Hall and Senator

Lamb, who are not always together on certain issues but certainly the light shone such that even they came together and said we think we have found a way to solve the problem. We had Senator Chizek involved with this, along with Senator Moore, and they came up with what they felt to be a compromise of their proposals for an interim. The problem was that the Legislature was not simply going to have property tax for an interim. We wanted long-term, substantial property tax relief. One of the areas that the group was able to come up with, and the body is being pressed to talk about today, is what do we do in the long term, and that is where LB 611 came into play and that is where LB 611 is, why it is before us today. LB 611 basically says in a nutshell, if we are getting somewhat simplistic, I apologize, but the times that we have sometimes we need to be, LB 611 simply says to the Legislature and to the people of Nebraska, listen, if we want long-term, substantial property tax relief, we can't put our head in the sand and say we are going to lower those property taxes and not increase any where else. And we, as a Legislature, I think know very well about what Senator Withem said earlier, that for us to keep pace property taxwise with the major pressure on property tax, that being school finance, we have to find a source that increases equally about 6 percent. One of the things that the Syracuse Study pointed out, and there were good things about the Syracuse and bad things about the Syracuse, but one of the things throughout the state that all people seemed to begin to understand is that many of the areas in our state that are property tax, that are hurting property taxwise have plenty of income. The problem is that in those areas they cannot be taxed. In fact, one of the tragedies we had in this state is there were certain districts that had relative wealth, if you count wealth as not being real property, as talked about by Senator Landis, but the only way that those districts could touch that wealth is through the real property tax or the property tax that we have. Consequently, you had money out there that was desperately needed by school systems they could not attach themselves to. They could not use, and we have school systems in the day that if you compare to other parts of the world is a travesty. It is a travesty of what we have now with the school finance that there is before us. LB 611, in...

SPEAKER BARRETT: One minute.

SENATOR BERNARD-STEVENS: ...its basic sense, does two major things in my opinion. Number one, it will put the Legislature

on record as saying we believe that we must make a change, and we are going to make that change by sunseting equalization and foundation, and we are going to make a shift to income. We must make a shift to income. That is the only where we can go in order to finance this thing successfully, if we truly mean substantial property tax relief. One of the things I would like to leave the Legislature with, at least on this time around, is that for every time there is something new, there is a first step, and this in the State of Nebraska is going to be something new if we have the courage to step forward, and that is substantial property tax relief will take a courageous step by at least 25 of 49 people, a courageous step to go forward and say, we have to make some substantial changes, we have to shift over to income.

SPEAKER BARRETT: Time has expired.

SENATOR BERNARD-STEVENS: We are going to have to do some things that may be difficult to do but we must have the courage to do so, and I think this is the first step along that route, and I encourage the adoption at least of the tentative...of the first phase of 611, the Moore amendment. Thank you, Mr. President.

SPEAKER BARRETT: Senator Schmit, followed by Senator Warner.

SENATOR SCHMIT: Mr. President and members, Senator Scotty Moore says I don't understand the bill, and I agree, though my principal concern is whether Scotty understands it or not. I am not so sure Scotty does. I have listened to the bill for 10 years now and I don't understand it any better now than I did when Senator Burrows explained the bill, and I agree with the principle of the Moore bill, and I would like to see it brought to fruition in some way. My...I have several concerns with the bill and I would like to have Senator Moore, if he could, answer a question for me. Senator Moore, the income earned that was touched upon by I believe Senator Lamb, income earned, for example, in my own situation, will all be attributed to the Bellwood School District, is that right, where I live?

SENATOR MOORE: Yes.

SENATOR SCHMIT: Notwithstanding the fact that the income will actually be derived from land that is located in five separate school districts, is that right?

SENATOR MOORE: Yes.

SENATOR SCHMIT: I see. Well, you have answered that question. I am not sure I like the answer. Secondly, then, another question, I understand under 773, if I can remember Senator Vard Johnson's numbers correctly, that an individual who earned \$150,000 would save about \$850 a year on the state income tax if, in fact, or when we did pass that bill, is that correct or do you remember?

SENATOR MOORE: Oh, I don't remember. I voted against that bill like you did, and I tried to forget it as quick as I can.

SENATOR SCHMIT: Well, it seems to me that I remember, and if that is true, then 1.75 tax rate on \$150,000 should yield somewhere in the area of how much? Twenty-seven, twenty-eight hundred dollars, \$2,875?

SENATOR MOORE: I will defer to your arithmetic if that is what it is.

SENATOR SCHMIT: I think I learned that in a Class I school also. It should be around 2,875, I think. I will have to do some more quick calculating on that. My question is, Senator Moore, will this bill reverse some of what was attempted to be accomplished under 773, can you answer that briefly for me, please?

SENATOR MOORE: No, because simply what it would do, we just take a...work either way, you can add an income tax rate on, over and above the present income tax rate, or you can dedicate a portion of the present income tax rate to go back to school districts, so depending on what the body chooses to do, which fork in the road it chooses to take that way. But even if you would take, where you were adding an income tax rate over and above the existing rate, you could do that using the same progressivity in the existing income rate as is contained in LB 773.

SENATOR SCHMIT: You are telling me you would not just tax 1.75 on each of our individual present tax rates then?

SENATOR MOORE: No, well, that would be an option you could do, but the intent is you either subtract 1.75 from the present tax rate or add it over and above, but actually you would take the

four rates and, like I said, retain the progressivity or regressivity, however you choose to look at it, but have the same formula as you add it on there, so you would add a little bit less at the lower rate and a little bit more to the above rate.

SENATOR SCHMIT: I see. If you add a little bit more to the above rate...

SENATOR MOORE: Maybe Senator Hall is better to answer that question than me, but I am just saying, I mean you would contain the same degree of progressivity by adding it...you would add the total of the four, your average would be 1.75.

SENATOR SCHMIT: I am sure I am the only person here who doesn't understand that now. So if I don't understand the next question, I will ask it also, do you have a formula put together at the present time, Senator Moore, that can give us some actual numbers as to how this would impact upon the various school districts and what it would do to the property taxes, and...

SPEAKER BARRETT: One minute.

SENATOR SCHMIT: ...what it would require in amounts of state aid to be commensurate with some really decent property tax relief? Do you have any numbers put together on that now?

SENATOR MOORE: No, and that is the very reason I choose to try to advance 611 in this form as opposed to some finalized version that I want you to guess on. That is what we want to spend the summer doing so we can run some hard numbers on an actual proposal that is drafted out in detail, unlike the original form of 611.

SENATOR SCHMIT: I see. You think it would be preferable not to have a formula, adopt a concept, and then try to draft the formula to fit the concept?

SENATOR MOORE: Ask me that again, Senator Schmit?

SENATOR SCHMIT: You believe it is better to go for a form rather than substance at this time, is that right?

SENATOR MOORE: I want concept over substance today.

April 10, 1989

LB 611

SPEAKER BARRETT: Excuse me, time.

SENATOR MOORE: If I have the concept, we are going to work on the substance.

SPEAKER BARRETT: Time has expired. Senator Moore, your light is the next one. Perhaps you could help...

SENATOR MOORE: Yes.

SPEAKER BARRETT: You could answer the question further.

SENATOR MOORE:.. I will...

SPEAKER BARRETT: This is your time, Senator Moore.

SENATOR MOORE: I will (inaudible) our dialogue.

SPEAKER BARRETT: I am sorry. I am sorry. Senator Warner's light was next, then yours. Senator Warner, please, then back to Senator Moore.

SENATOR WARNER: Mr. President, members of the Legislature, I read the amendment and I intend to vote for the amendment, although I have filed another amendment to Senator Moore's amendment, which can be considered if his amendment is adopted. But if I am correct, Senator Moore, as I understand the bill now, it primarily will put into the statute the requirement as a proper filed income tax the inclusion of the school district of resident of the taxpayer. It is interesting when I look, this is at least the third time, if not the fourth or fifth, that this effort has been made. I see part of the stricken language on page 3 indicates commencing the taxing year 1971, the form shall have the designated school district, and that was a bill Senator Waldo and myself, I recall, Senator Bill Waldo introduced and I co-introduced it, but we thought we were putting that information on the income tax at that time, and then I can recall once or twice after that others, and I would be curious...I have enough curiosity to pass the bill to see if this language really does what I thought we did in 1971, and maybe one more try might do it. So for that reason I will support it, but I do have an amendment that strikes Section 2 and it'd strike Section 5, which if adopted, I would like to discuss and that would be...one of them, Section 5 is where you repeal the current foundation and equalization aid in 1991. It

makes me a little nervous to insert a repeal of a law when we do not have in place a substitute for it for distribution. There may be good reason for doing that but it would seem to me I would be more comfortable not repealing it until we knew what the substitute was. In any event, at most, I suppose they could generate another bill each year to change the date to the following year, and we could address the issue several years in that fashion, but I would much prefer that we had a replacement then. Section 2 bothers me a little bit for a couple of reasons. It would make a fine resolution but, as a section of law, it bothers me somewhat to outline these things, all of which I suppose I could concur in in a general sense, but I do think when the time comes that we begin to use the income tax as a...and to share the income tax base with a local entity of government, we may want to look at that very carefully. I think it is an excellent idea to have language in the statute that provides the ability to measure ability to pay of a local entity through income tax together with other information that we have, and that I fully support, but it would seem to me that neither Section 2 or Section 5 would need to be enacted as part of the amendment. So I will offer amendments to take that out.

SPEAKER BARRETT: Senator Moore, please. Thank you. Senator Morrissey, discussion on the Moore amendment, Senator Withem on deck.

SENATOR MORRISSEY: Yes, Mr. Speaker and members, thank you. I rise in support of Senator Moore's amendment. There is a lot of issues in my district that my people disagree on, property taxes, education, how to fund that, low-level waste, anything you want to name, there is a lot of disagreement. When I go down and start talking about LB 611, there is a buzz going around that they think we can finally address the shifting of the burden to pay for education towards those indicators that truly show wealth. The one thing they can't believe is that we will actually do it. They say it has been talked about year after year and never been done, and I just got the feeling that this year we should take that step, pass LB 611 and work on those problems, and say to our folks that we are going to give this issue more than just lip service this year, that we are going to make a commitment and head in the direction of distributing the cost of education where it should be distributed. Whether we need to go to income or sales tax, I would be more inclined to go to the income, because with our income and sales tax, we do get to write that off of our federal

taxes, whereas sales tax we wouldn't, and we would be sending more money to Washington, which I don't feel we need to do. So I do support the concept of 611 and I think now is the time for this body to start moving in this direction and support Senator Moore's amendment. Thank you.

SPEAKER BARRETT: Thank you. Senator Withem.

SENATOR WITHEM: Yes, Mr. Speaker, members of the body, I would like to continue on with my comments I was making previously regarding the work of the School Finance Review Commission. There is kind of a frustration level here I know on this issue, and there appears to be somewhat of a frustration level on the floor, that what Senator Moore is proposing is a half step as opposed to a full step. We are not taking the full step into completing a system so that we can have a neat little printout in front of us so that we can see exactly how many dollars go to East Butler School as opposed to Rising City Schools, and Seward, and Papillion, and all the other schools in the state, but we are just not there yet. There has been a gridlock on this issue in our state for generations on how you best finance education. Everybody that looks at the issue with any degree of sophistication says you have got too high of property taxes. Anybody who looks at it with any degree of sophistication says you have got a problem...because of the way you finance schools, you have the property tax problems. But as far as taking that first step to ultimately resolving it, we have difficulties doing that. What Senator Moore is offering us is that half step, and with any half step, if we get down the road and we don't like it, we can always step back. But by enacting this half step into the statute at least commits us to look at it very, very seriously and I think that is, basically, what we are doing. You know, we do things differently today than maybe we have in the past, and one of those things we have been doing more of in recent years is committing ourselves in increments as opposed to saying, unless we take the full leap, let's not even get off the shore. And that is what we are going here, basically. As far as what the Public School Finance Commission has been looking at and what it tentatively is concluding might help some of you with a better understanding of what we are leaning toward. In leaning toward, we can make any number of proposal, any number of shifts, changes, adjustments before we reach final enactment of anything a year from now, but we are looking at a plan of financing schools similar to what they do in Kansas. What do they do in Kansas that is different from

what we do in Nebraska? First of all, the first dollars they have to finance schools are a local property tax. The second dollars they have are a share of the state income tax. Now it is important, Senator Warner, I believe that we not only count income, taxable income, as a measurement of wealth, but if you are going to count it as wealth, you should only count it to the extent that the school districts can use it, because if they can't use the income in a local district and they have a lot of income, all that does is fall back more heavily then on the local property owners, and the property owners may or may not be those individuals who possess the taxable wealth. So in Kansas they do that. They tap into the local income tax with a 20 percent rebate of the dollars that are collected at the state level. Next, they measure the wealth of the district based on the income produced in the area and the valuation of the property, and they use their state dollars to bring their students up, all students in the state up to a relatively equal per pupil expenditure. In Nebraska, we have within a probably 25 mile radius, we have school districts that are spending \$4,400 to educate kids and school districts that are spending \$2,700 to educate kids. It is just a...practically an immoral variance in the amount of the expenditures. In Kansas, they are moving a power equalization concept so that all students will have a relatively equal amount of revenue spent on their education, plus we are looking, and this is a tough pill to swallow, particularly by the school people that are on this commission, but we are looking at saying, if you are going to put more dollars into the system,...

SPEAKER BARRETT: One minute.

SENATOR WITHEM: ...you have to have some guarantee that they go for property tax relief. So the school people who are on this swallowed a very bitter pill and indicated that they will have to go along with some type of budgetary limitation. Notice, Senator Dierks, I didn't say a cap, I said budgetary limitation. We are not calling it a cap anymore after the trouble we got in the other day on that. It is a proposal that has an excellent amount of promise for our future and one which I think is one that you are going to be comfortable with, if we can get off the status quo. I support sunseting current equalization and foundation aid. It is something if we don't like the fact that we have sunsetted it, if we don't have anything better to take its place, we can reenact, reenact it, but what it does is it sets into place the process of bringing about an ultimate

April 10, 1989

LB 611

solution.

SPEAKER BARRETT: Time.

SENATOR WITHEM: Thank you.

SPEAKER BARRETT: Thank you. Senator Elmer, further discussion. Senator Elmer, please. Senator Haberman. Senator Elmer, further discussion on the Moore amendment.

SENATOR ELMER: Sorry, Mr. President, my light came up quicker than I anticipated. Senators and members, would Senator Moore yield to a couple of questions. Okay, it is my impression that what this bill will do with your amendment is basically this. It will require any state income tax form that does not have a school district number on it to be returned as a uncompleted form, correct?

SENATOR MOORE: Yes.

SENATOR ELMER: Then that will give data for us to use to formulate next session, hopefully, a good solid format for a proposal for administering the state aid to the poor districts?

SENATOR MOORE: Yes.

SENATOR ELMER: And, therefore, be able to put into place something substantive in the immediate future with the hammer there that the current state aid would be sunset the year thereafter, is that correct?

SENATOR MOORE: Absolutely correct, Senator Elmer.

SENATOR ELMER: Thank you, sir. I'd support the bill and the amendments.

SPEAKER BARRETT: Thank you. Senator Haberman, followed by Senators Hall, Bernard-Stevens, Hartnett, Schimek, and Lynch.

SENATOR HABERMAN: Mr. President, members of the body, a question of Senator, oh, what is his name, Moore.

SENATOR MOORE: Senator Haberman.

SENATOR HABERMAN: Has anybody asked yet about the paragraph

that says the Legislature intends to assure property tax relief and tax equity by establishing limits on school districts budget growth? Is that still in the amendment?

SENATOR MOORE: That is still in the amendment and Senator Warner touched on that but he never asked me a question.

SENATOR HABERMAN: Would you explain it to me?

SENATOR MOORE: The line dealing with the budgetary limitations, well, basically what it is...I think it is my opinion and some people share that opinion, if we are going to drastically try and lower property tax in this state with a large injection of money from another source, either income or sales, you know, you talked to people 20 years ago, yeah, your total tax burden just went up, so it has to be something that we can take to the people and say we are going to shift it from property to income or sales, and the way we guarantee that shift occurs is to have some sort of budgetary growth limitations.

SENATOR HABERMAN: Well, now wait a minute, Senator Moore, I know what you just told me. Can you give me some idea as to what you have in mind, you and the people who are promoting this, what you mean by limits on school districts budget growth?

SENATOR MOORE: I think, and I can speak only for myself, looking at something like they have in Kansas where basically it is a 3 percent budget growth. There is a variety of the growth of actual per pupils in your district, how much that grows. There is some flexibility in there, so I am looking at something like they have in Kansas.

SENATOR HABERMAN: All right, so you just told me so I understand it that in your thinking, you are thinking possibly of a 3 percent limit on budget growth, is that correct?

SENATOR MOORE: Well...

SENATOR HABERMAN: Well, a three, or four, or two, one, somewhere in there.

SENATOR MOORE: Something like that.

SENATOR HABERMAN: But you cannot speak for the other people who are supporting this?

SENATOR MOORE: I think you can ask Senator Withem that question and he will give you his version of an answer.

SENATOR HABERMAN: All right, Senator Withem.

SPEAKER BARRETT: Senator Withem.

SENATOR WITHEM: Yes, Senator Haberman, in my...what I would support would be a budgetary limitation like that in Kansas. In Kansas what they have are those districts spending below the per pupil average have a 6 percent limitation, those spending above the per pupil average have a 3 percent limitation. The Legislature each year determines what the particular levels will be based on inflationary factors during the previous year. That is something I would be supporting and what I anticipate bringing to the floor of the Legislature when we finish our work.

SENATOR HABERMAN: We are going to decide this...Senator Hall, do you have any input on this? He isn't here. Is there anybody else has any input on what their idea is to a lid on school spending? So what we are going to do then, as I understand it, in the 60 day session, is that correct, Senator Moore, in 1990, we are going to come down and figure all these things out?

SENATOR MOORE: Before that occurs, hopefully?

SENATOR HABERMAN: Who is going to figure out before it occurs?

SENATOR MOORE: Ah, for one, the School Finance Review Commission will have some better details. We will have a much better defined draft of the proposal, LB 611 in its original form, and, obviously, we are going to have to settle, we are going to have to decide on what of that we want to accept.

SENATOR HABERMAN: But, Senator Moore, are you familiar with what happened to the last time we put a lid on school growth, school growth budget growth?

SENATOR MOORE: Well, yes, that lid was put on and (interruption)...

SENATOR HABERMAN: I asked you a question. Were you familiar with it, and you said, yes. Thank you. You know that it went

April 10, 1989

LB 611

up the exact percent that we put on there, is that correct?

SENATOR MOORE: It was a zero percent...7 percent, but the difference, I think there is a basic difference, Senator Haberman, I have to tell you about.

SENATOR HABERMAN: Senator Schmit, I am going to have to agree with you. I don't know whether Senator Moore knows what is in this bill or not.

SENATOR MOORE: (Interruption) ...in the bill.

SENATOR HABERMAN: Senator Moore, for your information, we put a percent growth on school budgets and it increased every year that particular percent, so when we got all through after five years, if we had a 6 percent on there, there was a 30 percent increase because it automatically went up 6 percent.

SPEAKER BARRETT: One minute.

SENATOR HABERMAN: Thank you, Mr. President. So I am raising this question due to an amendment I have on your bill, Senator Moore, and I wanted people to start to thinking about some of the things that are in this amendment when my amendment comes up. Thank you, Mr. President.

SPEAKER BARRETT: Senator Bernard-Stevens.

SENATOR BERNARD-STEVENS: Question.

SPEAKER BARRETT: The question has been called. Do I see five hands? I do. Shall debate now cease? Those in favor vote aye, opposed nay. Record.

CLERK: 29 ayes, 0 nays to cease debate, Mr. President.

SPEAKER BARRETT: Debate ceases. Senator Moore, would you care to close on your amendment to the committee amendment?

SENATOR MOORE: Yes, Mr. Speaker and members, once again I apologize for the complexity of this whole issue. I hope we have had a good discussion and a good introduction to the actual bill itself, but I am going to have to return once again to some basic fundamentals on what the amendment does. It does three things right now. I think Senator Warner mentioned his

intentions to strike out a couple of things, to deal with a couple of those things individually at a later time, but as the amendment will now stand with the adoption of this amendment; one, it sunsets foundation and equalization; two, it requires that the income tax form, if you don't have your school district on there, will become just like if you do not sign your state income tax form. It will be returned as an incomplete form. This is done to assure some more complete data. The fact of the matter is now there is only about 50 percent of the taxpayers in the state actually fill that actual form out and filling your school district on there. Now the Department of Revenue, for a variety of reasons, given the address, can decipher about another 35 percent of those returns on what school district they are in, but there is still 10 to 15 percent that are either a rural route address in a rural area in Nebraska, where, obviously, if you are like me where I have a Stromsburg address but in the Benedict School District, that rural route is not going to tell you anything. So there is many things in there...there is a lot of those returns that are unidentifiable unless that person fills that out. So what this amendment will do is say, if you don't fill out the school district form, it will be returned as an incomplete form. It will go back to the individual, and then from that time forth, it will be on a little sticker that you get, so it is a one time that there is going to be a lot of incomplete returns. After that, there will be far less because it will be on the information given to the taxpayers in the packets sent to them at the first of the year. And the last thing this does, actually it is the first thing in the bill, as Senator Warner mentioned, it is kind of...it may make a better resolution, as such, and that is true to some degree but I think it is important that 611, if you want to keep the heart of LB 611, you are saying that we believe that if we have to dedicate some sort of a tax base, some of our income tax base in this state to the local district. Now the lid provisions that Senator Haberman talked about, the reason that is in there, as you well understand, Senator Haberman, that everybody says how you going to guarantee that is some sort of property tax relief. I think it is important, just like Senator Withem mentioned, the fact of the matter is we are working with the school districts and have some sort of budgetary limitation on budgetary growth that the school district can live with. One thing about it is I want dollar for dollar property tax reduction, whatever I have to do to get that, I will do that. We are trying to work some sort of budgetary constraints that recognizes the needs of the school district but yet guarantees

to the total tax...well, the taxpayer in total in this state that property taxes are going to go down and we will make a decision on whether that is income or sales that is going to go up, but that growth, the language that is in there is to say to that the Legislature recognizes that if we are going to shift, there has to be some guarantee to the taxpayer, that is what I was attempting to get at. But as I have mentioned, I have tried to read one, two, and three. It explains on the handout that I have given you that explains exactly what the amendment does. I think that while I have your attention, at least, I want you pick up that handout a little more and look at what we are trying to get towards with a local income tax, and the whole concept. We all know the present share of school revenues is 66 percent property taxes, the third page there. If you look at the second page, you see that as amended out of committee, if you actually would have gone and enact this law, it only slightly decreased property tax, and that new figure in there being the 18 percent income tax. Well, our goal is if you wanted to distribute across the state through giving back to school districts some income generated in that district to the tune of about \$235 million, what you result, if you look at that magic number of about 45, 46 percent. As you can see, the goal of this is that 45 or 46 percent of the revenue to the school districts in the State of Nebraska will still come from property, and about 30 would come from a local income tax base...

SPEAKER BARRETT: One minute.

SENATOR MOORE: Then, obviously, equalization would occur and things like that. And so look at that last graph, that is what we are working towards, and we can talk about this further once we get this amendment adopted, and talk about Senator Warner's proposed amendments. For the time being, I urge you to adopt this amendment to get the bill in a form we can discuss it further.

SPEAKER BARRETT: Thank you. The question is the adoption of the Moore amendment to the committee amendments to LB 611. Those in favor vote aye, opposed nay. Record, please.

CLERK: 33 ayes, 2 nays, Mr. President, on adoption of Senator Moore's amendment to the committee amendments.

SPEAKER BARRETT: The amendment is adopted.

April 10, 1989

LB 611

CLERK: Senator Moore, I now have...withdraw, Senator?

SPEAKER BARRETT: It is withdrawn.

CLERK: Mr. President, Senator Haberman would move to amend, actually, AM1222 which you just adopted.

SPEAKER BARRETT: Senator Haberman.

SENATOR HABERMAN: Mr. President, members of the body, my amendment strikes 1991 and makes it 1992, the only thing the amendment does. Now why do I think that we should do that? I would like to have you think ahead to 1990. That is a 60 day session. We are going to have bills held over from this year. We are going to have new bills being introduced. And, quite frankly, we aren't going to have the time to sit down and analyze and actually find out what is going on. Now in my opinion, this is the old, old trick that a man by the name of Senator John DeCamp used to do. He used to say create chaos, create panic, push people, and then they have to make a quick decision. That used to pass more legislation in this body than, basically, anything else we had. So in the 60 day session now, they are going to come in and they are going to tell us this is what we have come up with, and you don't have a choice because you aren't going to have any foundation and equalization aid unless you do something because it says we have to repeal that. Well, it is a lot easier to put something on than it is to repeal. Now you have heard this afternoon it gives us two years. Not true. It gives us 18 months. And you have heard it said that you look at this little sheet that Senator Moore was talking about, and it shows that 1 percent income tax raises \$167 million, 1.75 percent income tax raises \$275 million. This must have been made up in haste because 1.75 generates \$292 million, a mere \$17 million mistake. That is haste makes waste. Yes, Scotty, you made a \$17 million error on your own handout. So what I am trying to say is this kind of mistake can be made when you try to do something as heavy as this in 60 days. Now they are saying we have to put a limit on school spending, we can't trust those people. The budget keeps going up. So let's think about maybe we ought to have a limit on state spending. Maybe our budget should quit going up. If we can't let them handle it and let the local people handle it, why should we jump into the arena. So the only thing I am saying, let's wait one more year, come in with the program, come in with

all the suggestions, come in with the bills, come in with the outlines, come in with your ideas, Senator Moore and Senator Withem, present them to us, and let us chew on them during the session, and over the interim, and then when we come back, let us act. Thank you, Mr. President.

SPEAKER BARRETT: Thank you. Discussion on the Haberman amendment? Senator Hall, would you like to discuss it?

SENATOR HALL: Thank you, Mr. President and members. I rise in opposition to Senator Haberman's amendment. It basically would, as he stated, delay the procedure for another 12 months. I think 18 months is enough time to come to some kind of a decision, even if it is one that we are going to continue to rely on property tax for the funding of schools at the local level. We have had I guess 20 odd years of reliance on property taxes, 20 years of promises to our constituents that we were going to, through the implementation of sales and income tax, correct that situation. Well, it hasn't happened. We spent a number of dollars over the last two years for a study that told us what we already knew, that property taxes were and are too high, and that we needed to shift away from property taxes for the funding of education at the local level. All we do through LB 611 is move closer to that hopefully inevitable shift so that income tax is used in the formula with regard to funding of education at the local level. Senator Haberman's amendment simply delays that. I would urge you to reject his amendment. The 18 month window that is provided in LB 611 is more than enough time, and if anything, it is probably too much time but it clearly gives adequate time to come to some I think well-thought-out conclusion, and I think it should not be tampered with. I would urge you to reject Senator Haberman's amendment, as well intended as it is. Thank you.

SPEAKER BARRETT: Thank you. Further discussion, Senators Schimek, Warner, and Moore. Senator Schimek waves off. Senator Warner.

SENATOR WARNER: Yeah, Mr. President, I rise to support Senator Haberman's change of date to January of 1992, and it is for the very obvious reason that this bill, if it is enacted, and I hope it would in relation to the data that will be included on the individual income tax, the filing deadline in 1990 will be April 15th, which is about 10 days, I suspect, before the 1990 session adjourns. And there, obviously, will be no information

April 10, 1989

LB 611

available for the 1990 session if this base data is what you are going to use, if that is essential, and I might be a lot easier to make the decision if the information was available, but, nevertheless, if that is the reason we are doing it, then it, obviously, needs another year as just simple practical matter, and I would be in full support of Senator Haberman's motion to change that date in Section 5, or 4, rather, to January 1, 1992, and then in view of the time, I will pull my other amendment, Mr. Clerk, that I have pending.

SPEAKER BARRETT: Senator Moore, followed by Senator Elmer.

SENATOR MOORE: I guess I would have to ask Senator Warner a question to make sure that I am clear in my mind. You said if the Haberman amendment would be adopted, at least for the time being you would pull your amendment that would take away the total sunset on foundation and equalization, is that correct?

SENATOR WARNER: Yes.

SENATOR MOORE: But you would reserve the right to come back at a later time and try that, I imagine, or...but you could live with the '92 date?

SENATOR WARNER: I don't feel like going with that amendment today.

SENATOR MOORE: Okay, that is fine. Well, obviously, if Senator Haberman's amendment is adopted, it won't be the end of the world and it will not be the end of LB 611. I happen to think though the facts are that for 20 years the Legislature has talked about doing something next year, talked about doing something next year, and talked about doing something after the next campaign, and during the campaign, we always talk about doing something as soon as we get there. Like Senator Warner said, we always get elected on promises, and then we get reelected by breaking our promise, because if you actually do something, you are going to...I think you said that, Senator Warner, if not, correct me. A lot of times that is true because we are probably taking a big step, a big step, and I understand the hesitancy for doing that, but the fact remains that unless you have some sort of hammer out there, we are going to come back in here next year and we are going to postpone it again. And even with the amendment as it now reads, if Senator Haberman is correct and the session is as chaotic as he projects that it

is going to be, we try and hurry things through, if Senator Haberman is correct, obviously, we could add another year to that at that time. I think it is important that it stays in at '91 so that we actually do something. If it is '92, I can live with that I guess. And also I can live with that, I still have '92 better than no sunset of foundation and equalization at all. I think Senator Haberman is, as he often does, is trying to make...using scare tactics of chaos. Senator Haberman, if I really wanted to try and hoodwinked the people, what I would be trying to do is pass a bill in a form that I don't know how it is going to happen. That is what I would be trying to do. I would be trying to pass 611 in its original form. I would be trying to push it through. My intent is that the people will know exactly what they are voting on and exactly the ramifications of that. That is why I am not trying to push a bill that is not ready to go yet. I am trying to push a concept. Next year we will come in with a bill that is actually a lot closer to being ready to go. So if my goal was to try and fool you, if my goal was to sit up here and say, trust me, this is a good bill, that is what I'd try and do. Instead, my intentions are to say let's buy into the concept, let's buy into the hammer that next year we are going to deal with this, and then over the summer a variety of people can find out a way to really restructure the taxes in the State of Nebraska. It is not just spending \$350,000 on some study, say we are going to listen to the study and we are going to make a change, we are putting in a deadline. We are going to put a deadline up that next year we are going to make that change. Obviously as I have said, Senator Haberman's one year extension is better than none. Senator Warner's total removal of that sunset, I let the body do as they wish, but I would encourage you to at least leave some sunset language in there. And, Senator Haberman, could I get you to yield to a question?

SPEAKER BARRETT: Senator Haberman.

SENATOR HABERMAN: Yes.

SENATOR MOORE: With the adoption of this amendment, would you then be supporting the bill?

SENATOR HABERMAN: With the amendment?

SENATOR MOORE: Yes.

SENATOR HABERMAN: Yes.

SENATOR MOORE: Okay, just so that is known, that is on there for the record. With that, I, personally, am going to vote against Senator Haberman's amendment, but I urge the body as they always do to do whatever their will is.

SPEAKER BARRETT: Senator Elmer, followed by Senators Haberman and Withem. Senator Elmer.

SENATOR ELMER: Thank you, Mr. Speaker. During the debate today, we have heard that the income tax forms since 1971 have contained a blank to put in your school district number. I wonder if Senator Warner might know, what percentage of forms have actually contained that, or Senator, Senator Moore, excuse me, Senator Warner, if Senator Moore...

SENATOR MOORE: (M R. off) ...contain it but another 35 percent personnel in the Department of Revenue can figure out what district they are in with their address. There is about 10 to 15 percent where they actually don't know. Now if my numbers are correct there...if they are incorrect...but that is what I have been told, at least.

SENATOR ELMER: Okay, so about half of the forms have had that information on it, another 35 percent they can extrapolate where it is from. So that leaves 15 percent of the income that we don't know where it comes from as far as school district is concerned, is that correct?

SENATOR MOORE: Yes, and also sometimes they put it on one year, they don't put it on the next, and so the Department of Revenue by looking at their old tax forms can figure out what school district they are in.

SENATOR ELMER: So then from there...

SENATOR MOORE: On a given year, only about half actually put it on there.

SENATOR ELMER: So then from there, we can see. We have somewhere between a 40 percent and a 20 percent amount of income that would be coming in and we have no idea where it has come from as far as school districts are concerned, and because of that, I can see why we need to delay somewhat the implementation

of substantive language as far as how we are going to do this. And for exactly the reasons that Senator Haberman and Senator Warner have expressed, we do need that in order to be accurate and to be responsible in our legislation, and I would support Senator Haberman's amendment.

SPEAKER BARRETT: Thank you. Senator Haberman. Thank you. Senator Withem.

SENATOR WITHEM: Yes, Mr. Speaker, Senator Moore has indicated that this is not the end of the world if this amendment goes on, and I guess I share that view, but I also share his and Senator Hall's opinion on the amendment, that it is really not needed, and I am not going to be supporting it. Senator Elmer, if I could just maybe respond to your question of Senator Moore in maybe a little more general fashion. We have been working with data all summer long, all fall long, all winter long on school finance, and the data base is not in nearly as bad a shape as we have been led to believe by our Department of Revenue, and by individuals like Senator Moore that have brought this bill in each year, that most of the dollars out there are accountable based on either having the number on the form, or being able...or the people in the department being able to add it. It is, I will agree, a necessary change to put more teeth into this so we get closer to the 100 percent level, but we are...the data I have is over 90 percent of the dollars would be accounted for under the current data that we have available to us at this time. There is some flaws in it. There is some flaws in it. For instance, it is pretty obvious that some of the people that are living in maybe the Millard School District or the Ralston School District are putting down the Omaha School District as their district in some of the data that I have seen. In some areas where schools have consolidated, some people have problems getting down their new district number correctly, but the data is not that bad. The other thing, I would just remind the body that the grand compromise that we are talking about here today, the Hall, Lamb, Chizek, Moore discussions, perceive a package going together that for these next two years we enact LB 84 and LB 84 lasts for only two years. What is going to happen at the end of the two years if we extend this one more year down the road, we have one year there where there is going to be a gap, and if nothing is done during that year we are going to have approximately \$100 million more added back onto the property tax rolls that will have been taken off by LB 84. So that is another very real concern, these two bills, it is possible, of

course, to pass one and not the other. It is possible to pass either one without passing the other, but if your vision is we enact some temporary property tax relief with the 90 to 100 million dollar figure that is in LB 84, and then two years down the road sunset that, you have to have something else to take its place, and what is envisioned is that this bill will be ready at that point. I hate to see us delay things. We can always delay things when it is absolutely necessary, but I hate to see us delay things when we are taking our first step and say that this journey of 1,000 miles that we have envisioned taking place over a two-year period, before we take our first step, we are going to give us three years to get that far. We have been on this property tax debate for well over 20 years in this state, and if we are serious about resolving it, I think we need to get at it. So for that reason, I am not going to be supporting the Haberman amendment.

SPEAKER BARRETT: Senator Hall.

SENATOR HALL: Thank you, Mr. President. I, again, rise in opposition to Rex's amendment even though I do believe that it is probably well-intended on his part. The issue, though, is one that is I guess like when we talk about studying things, we study, study, and then we find out that we really knew what we were talking about in the first place, in many cases. In other cases, we find out that we were way wrong and that the situation is probably worse than we originally thought. Here, with regard to property taxes, I don't think there is any of us that don't actually believe we are an expert or want to believe we are an expert, and, clearly, the folks back at home in our districts tell us that we had better become experts, and that we should deal with this issue. The original committee amendment draft actually had a July 1 of 1991 date. We tied it into the fiscal year as opposed to the calendar year and it would have provided that information that Senator Warner alluded to in his comments. The fact of the matter is we are traditionally and always dealing with information that is at least one to two, and many times, three to four years old. When you look at any study that comes out, the biggest rap against them if you don't like them is that it is information that is outdated. Well, that is because in order to get accurate and complete information you have to...you are clearly usually about two years behind in order to compile that. I guess if that is an argument or a position we are going to take, we should take that on every issue, and that we should probably hold back on everything, take

a look at studying it a little longer, and not jump to some kind of a conclusion. Well, I don't think LB 611 falls in that category. It clearly is not, with an 18 month window, jumping to any kind of conclusion. It allows for the committee which is currently in place to continue to look at this issue, bring some legislation or recommendations to the Legislature for our perusal. It does not lay in statute the answer to the problem. What it does is say that we want to deal with this issue and here is our time line for trying to come up with a proposed answer. It is not something that if necessary could not be changed. If we cannot agree to it, it clearly is not going to be enacted. We all know that. All it takes is 25 votes in opposition to clearly delay any proposal that does not meet the fancy of the body. So to adopt Senator Haberman's amendment I don't think is in the best interest of, basically, the taxpayers. I think we need to push this as fast as we can, and I don't think an 18 month window for the recommendations to be brought back and information to be compiled to be a too short a period of time. I would urge the body to reject Senator Haberman's amendment. Thank you, Mr. President.

SPEAKER BARRETT: Senator Johnson, Senator Rod Johnson, followed by Senator Bernard-Stevens.

SENATOR R. JOHNSON: Mr. President, any unused time that I have, I will relinquish to Senator Moore. Mr. President and members, I guess I will support Senator Haberman's amendment. I would also have supported Senator Warner's motion if he'd have offered it. I see that there are two distinct subject matters in this bill. One, of course, is the income approach that Senator Moore is advocating we take and which I agree with. The other, of course, is ending the funding mechanism for school finance that we have in this state, and putting the gun to our head and saying, we either do something about school finances or chaos will abound. Well, as I said on the original adoption of the Moore amendment, I would prefer that we have an idea as to what that financing mechanism is going to look like before I am asked to vote on it. I want it in hand. I want to see what it does for my school district. I want to see what it does to education in this state, and if it is a meritorious proposal, if it is a proposal that I think good enough for this body to adopt, then I think this Legislature will move forward with it. I have heard arguments that we have to have some measurement here, we have to have some way of ending this process, we have got to make sure that we have a deadline at the end of this schedule so that we

April 10, 1989

LB 611

can move to something else. Well, I guess I am just still very reluctant to accept moving away from something that is tangible, which is the school finance formula that we now have, even though there are deficiencies in that, I would rather have that than have absolutely nothing or something that I don't know what we are going to look at in two years from now. So I am going to support the Haberman amendment. I personally would prefer to discuss the Warner amendment, but I realize that he has offered not to take that up today because I see these as two different subjects that I don't necessarily agree with. Mr. President, with the remainder of my time, I will turn it over to Senator Moore.

SPEAKER BARRETT: Three minutes, Senator Moore.

SENATOR MOORE: Mr. Speaker and members, like Senator Hall mentioned, the original committee draft of this had a July 1 date. It has come to my attention that Senator Warner has filed a different amendment to make it June 30th, 1991, 1991. That is an amendment that will be following Senator Haberman's amendment if it fails and I guess that I would prefer that we defeat Senator Haberman's amendment, and then Senator Warner can offer his motion and we could make that date the end of June in 1991. I think that is meeting everything halfway and, obviously, that would give us one extra...hopefully, we would do our work the next session. Then we would still have time in the session of 1991 to pass the bill with an emergency clause to fine tune it, and so I urge you to oppose Senator Haberman's amendment and then would be supportive of Senator Warner's ensuing amendment.

SPEAKER BARRETT: Thank you. Senator Bernard-Stevens, please.

SENATOR BERNARD-STEVENS: Question.

SPEAKER BARRETT: The question has been called. Five hands, yes, I do. Shall debate now cease? Those in favor vote aye, opposed nay. Please record.

CLERK: 26 ayes, 0 nays to cease debate, Mr. President.

SPEAKER BARRETT: Debate ceases. Senator Haberman, would you care to close on your amendment?

SENATOR HABERMAN: Mr. President, members of the body, Senator Moore, I do trust you. You are not trying to fool me, and I do

like you. I just disagree with some of your methods sometimes, and this is the time that I am disagreeing with it. We have discussed this. We know what it is, delays it for one year. I ask you to support the amendment. Thank you, Mr. President.

SPEAKER BARRETT: Thank you, and the question is the adoption of the Haberman amendment. Those in favor vote aye, opposed nay. A simple majority. Have you all voted? Senator Haberman.

SENATOR HABERMAN: Mr. President, I will ask for a call of the house and a roll call vote...I will take call in votes.

SPEAKER BARRETT: Shall the house go under call? All in favor vote aye, opposed nay. Record.

CLERK: 19 ayes, 6 nays...20 ayes, 6 nays to go under call, Mr. President.

SPEAKER BARRETT: The house is under call. Members, please record your presence. Call in votes have been authorized. Senator Lamb, the house is under call. Senator Byars, record your presence, please. Senator Hall, Senator Chambers, Senator Goodrich, Senator Labedz, the house is under call. Senator Withem.

SENATOR WITHEM: (Mike off) ...call vote as opposed to call ins.

SPEAKER BARRETT: A roll call vote has been requested. Senators Chambers, Goodrich, and Labedz. Thank you. Senators Chambers and Goodrich, the house is under call. Members will please return to your seats in anticipation of a roll call vote. Mr. Clerk, could you read the amendment.

CLERK: Mr. President, the amendment reads, on page 15 of AM1222, line 6, strike 1991 and insert 1992.

SPEAKER BARRETT: Thank you. Proceed with the roll call on the adoption of the amendment to the amendment.

CLERK: (Roll call vote taken. See pages 1614-15 of the Legislative Journal.) 21 ayes, 23 nays, Mr. President, on adoption of the amendment.

SPEAKER BARRETT: Motion fails.

CLERK: Mr. President, Senator Warner would move to amend. (See Warner amendment on page 1615 of the Legislative Journal.)

SPEAKER BARRETT: The call is raised. Senator Warner, please.

SENATOR WARNER: Briefly, Mr. President, this would change the date to June 30th of 1991 which is consistent with some of the other comments that have been made that apparently that was the date at one time, but the reason for it in this instance is that the discontinuation of the current distribution formula ought to be the same as the fiscal year, which was beyond to make a midyear split during the fiscal year between two different formulas, I would think could create some problems, plus it would have the other advantage that you wouldn't necessarily be functioning with 33 votes if you were going to try and do something in 1990. Obviously, you would still be faced with 33 votes in the 1991 session which is really the first session you would have any information from this data beyond what is already exists, which I agree is probably substantial, but, primarily, it is so that the distribution formulas are consistent with the fiscal year which is a much more logical budgetary approach.

SPEAKER BARRETT: Discussion on the Warner amendment. Senator Moore, followed by Senator Hall.

SENATOR MOORE: As I mentioned, I will be voting yes on the Warner amendment, just in the spirit of getting things moved along. I think it is important that we recognize, I think Senator Johnson is like several other senators in the body, they are a little bit nervous about having a sunset date of any kind on there. I guess I think it is very important that some sort of sunset date is in there. As Senator Rod Johnson mentioned that we have...he is a little nervous about wondering off into the wild blue yonder, when he has something safe and secure presently in the statute. Well, the fact of the matter is, that thing safe and secure presently in statute is probably one of the big reasons we rank third or eighth in the country in property taxes. That safe and secure foundation and equalization is probably the reason, the way it is in there right now, we rank between, I don't know...in the fortieth when it comes to state support for public education in the State of Nebraska. You are absolutely right, it is safe and secure, and tried and true, I think it is tried and true to cause us some big problems. I think it is important that we do move away from

April 10, 1989

LB 611

that and I don't like moving off into the unknown. I think what we presently have is causing us a lot of problems in this state, and LB 611, in concept, will move us away from there, and in a way it is necessary to have some sort of hammer in there to make sure it happens, and I think Senator Warner's amendment moves that date to a more acceptable time period to maybe many of you, and maybe a little more acceptable to me than Senator Haberman's amendment which narrowly failed to advance. So I support Senator Warner's amendment.

SPEAKER BARRETT: Thank you. Senator Hall.

SENATOR HALL: Mr. Chairman, Mr. President and members, I rise in support of Senator Warner's amendment. As I stated earlier, it was in the original draft of the committee amendments, and mainly for the reasons that he stated in his opening, so I'd urge adoption of the amendment. Thank you.

SPEAKER BARRETT: Senator Schellpeper.

SENATOR SCHELLPEPER: I will call the question.

SPEAKER BARRETT: The question has been called. Do I see five hands? I do. Shall debate cease? All in favor vote aye, opposed nay. Please record.

CLERK: 28 ayes, 0 nays to cease debate, Mr. President.

SPEAKER BARRETT: Debate ceases. Senator Warner, would you care to close? Senator Warner waives closing and the question is the adoption of the Warner amendment to the amendment. Those in favor vote aye, opposed nay. Please record.

CLERK: 35 ayes, 0 nays, Mr. President, on adoption of Senator Warner's amendment to the committee amendments.

SPEAKER BARRETT: The amendment is adopted. Anything further?

CLERK: Nothing further on the committee amendments, Mr. President.

SPEAKER BARRETT: Back to the committee amendments. Senator Hall.

SENATOR HALL: I will just close.

SPEAKER BARRETT: Thank you. Any discussion on the committee amendments as amended? Seeing none, Senator Hall, for closing.

SENATOR HALL: Mr. President, I would just move the adoption of the committee amendments which become LB 611. They have been discussed here, and as amended by Senator Moore and Senator Warner, and I would urge the body to adopt them so that they may be advanced over to E & R. Thank you, Mr. President.

SPEAKER BARRETT: Shall the committee amendments to LB 611 be adopted? Those in favor vote aye, opposed nay. Have you all voted? Record.

CLEPK: 34 ayes, 1 nay, Mr. President, on adoption of Revenue Committee amendments.

SPEAKER BARRETT: The committee amendments are adopted. To the bill, Senator Moore.

SENATOR MOORE: I think the bill has been discussed significantly, and if there are other lights on, I will save my comments until my closing.

SPEAKER BARRETT: Thank you, sir. Any discussion? Seeing none, Senator Moore, for closing.

SENATOR MOORE: I think this bill has been discussed a good deal of time here today. I think that is good because it is a concept that has been around for a number of years, and since back in, I don't know what year it was, Senator Warner knows the history better than I do, that we actually passed the law that required a school district be on the form, nothing much has ever happened. I mean Senator Burrows introduced this concept back in the 1970s. Senator Remmers and my predecessor, Senator Sieck, introduced this concept early in the 1980s. Senator Remmers and myself introduced it a few years ago. Every time we introduced it in the past, you know, for a variety of reasons, it never got out of committee. Now we are finally to the floor with the bill. Hopefully we are on the verge of moving it over on General File but, obviously, there still is a long way to go. If you understand what the bill now says, we are saying that we are going to sunset foundation and equalization aid in a few years here and I, like many other senators, am a little nervous, a bit nervous about doing that, but it is important that we move

ahead. It is important that we make some sort of change, and with the intent language, we are basically saying here is what our direction is. Hopefully, Senator Withem's School Finance Review Commission, which Senator Lamb and myself sit on, could come back to you next year and give you a more detailed version of what we are able to do, modeling something very similar to what they do in Kansas. Now one of the first battles I watched back as a staff member in the Legislature in the 1982 session, the whole battle over 816, and those of you that were around that era, you can remember the constant battle of who was paying whose way. Lincoln and Omaha were paying outstate Nebraska's way; outstate Nebraska was paying Lincoln and Omaha's way. There was a constant, constant battle, turf battle on who was getting whom in that whole state aid distribution formula. That is why I think it is important that we move towards something like this, which is, basically, a state aid distribution formula but it is a distribution formula that fairly gives back to a school district income that came from that area. That is the one key thing that it does, and it maintains the concept of local control. Instead of being state dollars, it is local dollars. That is very important. Secondly, probably even more significantly, what this bill will allow basically, if we ever get to a point where we actually adopt a total local income tax, it will allow school districts in this state to tap their revenue sources. That is very significant to a lot of school districts in this state that have been clamoring for a change in state aid and changing away from our present foundation and equalization mix to a weight that is more weighted towards equalization. Well, most of those school districts, if they could tap their income, they would not be so concerned about switching state aid around, and they wouldn't need it, because if they were given their income and their property, they would have the finance to operate that school. I think there is a variety of reasons where a background as working for Senator Sieck and talking with Senator Remmers and others, I remember back in 1982 when we first came across the idea in Kansas, I, myself, believe this is the direction we need to go in the State of Nebraska. Now if we pass LB 611, we are just saying that is our intention. We are planning to get there. Probably tomorrow morning we will get to LB 84 and, eventually, if we have to, get to LB 809. It is important that those bills are strictly short term. LB 611, the local income tax concept, is long term, a long-term solution to our problems to do something with property taxes, and I think it is fairly simple. If any of you have further questions on this bill, please come talk to me between

April 10, 1989

LB 84, 319, 541, 611, 630, 640, 646
651, 653, 653A, 705, 710, 762, 811
812

now and Select File. I will try and answer your questions, but now I just ask that we advance the bill.

SPEAKER BARRETT: The question is the advancement of LB 611 to E & R Initial. All in favor vote aye, opposed nay. Have you all voted? Please record.

CLERK: 36 ayes, 1 nay, Mr. President, on the advancement of LB 611.

SPEAKER BARRETT: LB 611 is advanced. Anything to read in, Mr. Clerk?

CLERK: Mr. President, Enrollment and Review reports LB 319 to Select File with E & Rs, LB 640, LB 651, LB 541, LB 653, LB 653A, LB 630, LB 811, LB 812, LB 710, and, LB 646, all to Select File, some have E & R amendments attached. (See pages 1615-22 of the Legislative Journal.)


Senator Conway has amendments to LB 84 to be printed; Senator Hall to LB 762. Senator Abboud would like to add his name to LB 705 as co-introducer. (See pages 1622-28 of the Legislative Journal.) Mr. President, that is all that I have.

SPEAKER BARRETT: Thank you, and the Chair would like to remind members of the briefing on the pharmacy school to be held at this hour in Room 1019. Senator Chizek, please.

SENATOR CHIZEK: Mr. Speaker, I would make a motion we adjourn until April 11th at 9:00 a.m.

SPEAKER BARRETT: You have heard the motion to adjourn until tomorrow morning at nine o'clock. Those in favor say aye. Opposed nay. The ayes have it. Motion carried. We are adjourned. (Gavel.)

Proofed by:


LaVera Benischek

April 13, 1989

LB 84, 84A, 247, 429, 611, 683A, 683
739, 739A, 761, 809
LR 76

683A.

SPEAKER BARRETT: The A bill is advanced. And Senator Carson Rogers is announcing some guests in the north balcony from Scotia. Representing District 28 in Greeley County, 11 K through sixth graders from Scotia with their teacher. Would you folks please stand. Thank you. We're pleased that you could visit with us today. For the record, Mr. Clerk.

CLERK: Mr. President, I have some...new resolution, LR 76, offered by Senators Wesely, Landis, Schimek, Crosby and Warner. (Read brief description of LR 76 as found on pages 1701-02 of the Legislative Journal.) That will be laid over.

Enrollment and Review reports LB 247 to Select File; LB 611 to Select File; LB 84, LB 84A, LB 739, LB 739A to Select File. Those are signed by Senator Lindsay as Chair. (See pages 1702-04 of the Legislative Journal.)

Mr. President, a series of amendments; Senator Wesely to LB 429; Senator Conway to LB 683; and Senator Kristensen, Mr. President, to LB 761. (See pages 1705-08 of the Legislative Journal.)

And the last item, Mr. President, your Committee on Revenue whose Chair is Senator Hall reports LB 809 to General File with amendments attached. And that's all that I have.

SPEAKER BARRETT: Thank you, sir. Senator Dennis Byars.

SENATOR BYARS: Mr. President and colleagues, as LB 809 was reported out of committee, I would ask that we adjourn until the 17th day of April, 1989, at 9:00 a.m.

SPEAKER BARRETT: Thank you, Senator Byars. You have heard the motion to adjourn until Monday morning at nine o'clock. Those in favor say aye. Opposed no. Ayes have it, carried, we are adjourned. (Gavel.)

Proofed by:

Marilyn Jank
Marilyn Jank

April 17, 1989

LB 84, 611
LR 2

some of the value that is affixed to or assigned to the value of agricultural land is not necessarily of a good business sense as we would calculate a warehouse. We have property that has value by virtue of it being close to other property we already have. We have property that has an enhanced value by virtue of the fact that your father owned it, or it's a neighbor that had the land and you always wanted it, so, therefore, that market approach often reflects a value greater than what the real value of that property is by virtue of its ability to produce crops, at whatever that current market price is. So by having the income approach purely they know that that is going to produce a value that is somewhat less than what the market approach is going to be, because these kinds of forced inflation factors that go into the value of land basically is what got a lot of farmers into trouble in the late seventies and early eighties, because they were paying more for the land than what its income producing capability was, because they had these various emotional attachments. So this will, in effect, reduce that. But I think the obsession with doing it is creating a situation where we're making changes or putting in front of the people changes in the Constitution that ultimately is going to go back to my original statement is that they are going to shoot themselves in the foot. They want it, they're obsessed with it, I'm going to vote for it, but I did want to go on record so that I can go back and be a great big I told you so. Thank you.

SPEAKER BARRETT PRESIDING

SPEAKER BARRETT: Senator Hall.

SENATOR HALL: Mr. President, members, I am going to continue to vote not to advance LR 2CA. And I won't try to persuade anybody to vote different than how they've been voting in the past. But I think we've spent approximately two and a half hours this morning on this issue, and I think it's time well-spent. But it's time that we will continue to spend year after year, session after session, bill after bill until we address the issue of the overreliance on property taxes. It makes no difference if we value ag land at 150 percent of income, of market, of whatever, if you didn't rely on property taxes for such a great proportion of the cost of education, as we do presently. And I think the other bills that we've dealt with earlier this session, specifically LB 611 and LB 84, move us into the area of correcting that problem, at least alleviating some of the overreliance on property taxes. My opposition to

state aid formula which, to some extent, is a combination of both but that bill already...that law, rather, already has what is incentive payment, 3.64 million of the current distribution is based upon the degree that the teachers have within a system with varying flat dollar amounts, depending on the doctor's six-year or master's or bachelor's degree, plus allowance also in addition for a number of credit hours of summer schooling that might have been acquired by individuals within the system and then I look at LB 611 which, as it now stands, wipes out in two years foundation and equalization aid. I assume this would still be in place, at least as the law now stands. I'm troubled about putting in a whole 'nother new state aid distribution formula which, as a practical matter, that's what this is. When that's worked in connection with the three-phase distribution formula, actually it's more than three that we have in the foundation and equalization aid, I have no idea how that meshes. But I am much more comfortable with...because, for one reason, I know some idea of how it would work, much more comfortable and I think could be sustained at a level of 20 million additional state aid this year that, obviously, will not result in any property tax relief. Obviously, 75, 80 percent of it will go in the way of salaries in the individual school districts, in any event, but I am personally much more comfortable with that...with that approach and for those reasons because there are a number of unknowns, I'm inclined to believe that LB 89 if we keep reducing the amount of appropriation and, obviously, I have indicated that the higher level I didn't feel could be sustained, but I keep thinking back to LB 994 that had lots of promises for enhancement which we kept watering down the appropriation, in fact, till today there's virtually nothing left. And I have a concern if I read the language of LB 89 and what it's intended to do and then I look at the level of funding that we feel...or some people at least feel could be enacted and in the language the money don't match so, personally, I would be supportive of Senator Lamb's amendment because at least there would be some effort of enhancing elementary secondary education into a structure that at least from my own viewpoint...

SPEAKER BARRETT: One minute.

SENATOR WARNER: ...I have some idea of how those funds can and would be used. And, for those reasons, I think that starting another portion of state aid when the existing formula could maybe be adjusted to recognized degrees, the only additional ingredient that does have a relationship to the level of pay

SENATOR BERNARD-STEVENS: Thank you, Mr. President. Just very, very briefly, I certainly understand Senator Smith's concern. She has been consistent on that from previous discussions and this morning, and even certainly on the floor now, and I appreciate that very much. I would, however, have to agree with Senator Withem and other senators that either may or may not speak on the amendment, and that is the Legislature has visited this issue. We have made decisions on this and I think the body was ready to move on 89. We were ready to go and, once again, now we are revisiting this area. I always get a little concerned when we try to solve all the problems that are out there in one particular bill, and a bill of this nature with the funding and financing the schools the way we have in this state, which is a bad system, and we are going to go back in and look at that area of refinancing of education. LB 611 is out there which will get rid of equalization and foundation because there has got to be a better way to do so. But I get a little concerned when we try to revisit all these areas again and again and again, and I sense the body is ready to move on 89 in its present form, and I would hope that we would do so relatively quickly. I do, also, want to bring to the attention that the figure we have set of the \$16,000 now in the Conway amendment, within the last 24 hours, that has reduced by almost \$2,000. You had one where you had it at 18, and we said, okay, we will set it to 17, but we don't want to do that, that was one of the major points that we wanted to stress, that we wanted to bring levels of teachers up to a particular level within the State of Nebraska. Then the Conway amendment said we are going to do away with Phase I but we are also going to give more incentive because there may not be enough there to require the smaller districts to get up there that are underpaying their teachers tremendously, we will lower it to 16, and now we are having a further lowering. I think the body has already said, listen, we like the Conway amendment, the 16,000 is good. We had a thorough debate on it and I would hope that we would simply move on. We have got other issues that are pending to the Legislature, not that I want to curtail discussion at all but I think the body does know what it is doing and we have made our decisions on it. I would hope that we would dispose of the Smith amendment and, hopefully, there would be no further amendments, we'd simply advance the bill at this point. Thank you, Mr. President.

PRESIDENT: Thank you. Senator Wesely, please. Senator Nelson.

reflective way of judging the ability of the people in those districts to support their schools. You look at the salaries that are being given some of the Class I and the Class II teachers. They seem low by comparison to the state, but yet by comparison to the people who live and earn their income in those districts, they are equivalent to or higher than anyone else, on the average. I voted for the Conway amendment on LB 89 because it was addressed in some way a concern of mine in that if 89, as presented to the body, is an effort to increase the average teacher salary in the State of Nebraska, it was going about it in a rather awkward way, and my amendment that I withdrew would have changed the formula to have returned the capability of the low income districts to have increased their teachers' salaries through General Fund appropriations. So I would ask a question, then, of Senator Smith, in closing. Would not your amendment be more fair if we amended LB 89 simply to say that all full-time teachers in the State of Nebraska for the purposes of distributing this money should be counted as one FTE in the formula? Thank you.

SENATOR SMITH: Senator Coordsen, that would be the fairest of the fair.

SENATOR COORDSEN: Thank you, Senator Smith. Thank you.

PRESIDENT: Senator Elmer, please, followed by Senator Lynch.

SENATOR ELMER: Thank you, Mr. President and members. Senator Coordsen struck on exactly what Scott Moore's LB 611 is striving to achieve, having the earning capacity of the district to support the schools. Understanding Scott Moore's bill, Senator Moore, would you yield to a question or two?

SENATOR MOORE: Yes.

SENATOR ELMER: Understanding with your bill that foundation aid, equalization aid sunsets or would be ended in December of 1991, is that correct?

SENATOR MOORE: Yes, the present foundation and equalization would, basically, be sunset June 31(sic), 1991. Then the school district would tap their income tax base, and there would still be an equalization formula for the truly low property and low income districts. The truly poor district that is low property and low income would still receive some equalization aid.

ask that you support Senator Smith's amendment.

PRESIDENT: Thank you. The question is the adoption of the Smith amendment. All those in favor vote aye, opposed nay. Senator Smith.

SENATOR SMITH: I think this issue is important enough that we ought to have a call of the house and a roll call vote to see where we all really stand in our concern about teachers' salaries and who gets what.

PRESIDENT: The question is, shall the house go under call? All those in favor vote aye, opposed nay. Record, Mr. Clerk.

CLERK: 33 ayes, 1 nay to go under call, Mr. President.

PRESIDENT: The house is under call. Please record your presence, and return to your seats, please. Those not in the Chamber please return so that we may continue. Senator Warner, would you record your presence, please. Thank you. The question is the adoption of the Smith amendment and a roll call vote has been asked for. Mr. Clerk. Please hold it down so he can hear your response. Thank you.

CLERK: (Roll call vote taken. See pages 1782-83 of the Legislative Journal.) 16 ayes, 24 nays, Mr. President.

PRESIDENT: The amendment fails. The call is raised. Do you have anything else, Mr. Clerk?

CLERK: Mr. President, Senator Haberman would move to amend the bill.

PRESIDENT: Senator Haberman, please.

SENATOR HABERMAN: Mr. President, members of the body, I would like to take you back to a few days ago when this body was talking about LB 611. We were told at that time that it is an absolute must, we absolutely have to change the method to fund education. We must do this. We have to maybe consider income tax, sales tax, and property tax, but it behooves this body, we have to make a change, and it is so serious that we have to make a change we are going to sunset equalization and foundation aid June, the 30th, 1991, and this body, a majority of this body agreed to do that. So upon agreeing to do that, it looks to me

as the body has agreed to sunset those things so we can't use that argument as to not adopt this amendment because there has been an agreement, that we have agreed. Now LB 89 is state aid to schools regardless, did you understand that, how you look at it. It is state aid to schools. So if this body agreed to sunset foundation and equalization, then the body should agree that it is just as important that we sunset this form of state aid, also. I am not opposed to LB 89. What I am trying to say that what was fair and honest and up front and important and so serious on LB 611 fits the shoe on LB 89. Thank you, Mr. President.

PRESIDENT: Thank you. Senator Withem, please, followed by Senator Conway.

SENATOR WITHEM: Yeah, Mr. President, members of the body, I am not going to support Senator Haberman's motion. I recognize why he is offering it, and I guess I would say that in its own quaint way it makes some sense. I guess I would say it is about as much positive as I can say. His argument is we are sunsetting elementary, secondary...elementary, secondary foundation and equalization in two years. We ought to put this back on the table at that time. A fair argument and I will grant it is a fair argument. The argument on the other side of the issue is that this is not general state aid. As a matter of fact, we have argued and debated that on the floor numerous times. I have refuted any attempts by the body to turn this into general state aid. This is a categorical program designed to help teachers' salaries. We have lots of categorical programs. The most obvious one is special education, and Senator Abboud was quite fond of telling us last year, I guess he is not here, but he was, there he is, quite fond of telling us last year when we were debating state aid to education that special ed funding is to the point now, it is growing so much to the point where it is rivaling what we give out in state aid to education, but we are not sunsetting that particular formula. We are not sunsetting...I can't think of other ones, but we are not sunsetting, and this will get Senator Chizek's attention, probably, we are not sunsetting the distribution of education lands and funds money. Maybe that would be a good idea to do that one. Senator Baack says, good, we are not doing that. So there are lots of categorical education funding programs that we are not sunsetting. We are making a policy determination here, and if we pass LB 89, we will have made the policy determination that the issue of funding teachers' salaries is important enough

that it ought to be funded separate from the other ways in which we finance the ongoing cost of education. So I think, rather than to go through the battle again two years from now as to whether or not it is appropriate to fund teachers' salaries as a categorical program, I would prefer not revisiting that issue, making a determination, setting this categorical program aside, and say that we want to leave that in place. Understand Senator Haberman's arguments, though, just not going to buy them. This one time, Rex, you and I are going to disagree, so I am sorry.

PRESIDENT: Thank you. Senator Conway, followed by Senator Moore.

SENATOR CONWAY: Mr. President and members, I, also would like to rise in opposition to Senator Haberman's amendment. Again, conceptually, he may be right, as Senator Withem pointed out, it could very well be that we are revisiting. I am at this point, at least, certainly a very strong supporter of LB 84, that Senator Lamb has introduced, dealing with that property tax relief provision, which we have talked about as being an interim and then talking about moving on to Senator Moore's LB 611 concept in two years, and, hopefully, that is in place. What we have to bear in mind is we are getting some apples and oranges kind of tossed in the same pot together here, in that, if we look at what we are doing under LB 89, the intent was an incentive for teachers. What we do under 611 is a concept to, hopefully, change the financial techniques for the taxpayers. I think there is a difference. LB 611 may ultimately relieve the technique of the burden that we are now placing on property as a source by which we generate local funds, but will we still need an incentive plan to get them to use those funds to enhance the teacher pay? I don't know, but, at this point in time, I see there being that difference, that 611 is designed for the taxpayer, LB 89 is designed to enhance the salary levels for the teachers and provide some motivation to do that. I think maybe we ought to keep it in place, not necessarily sunset it. We always on any spending measure have the ability to sunset anything at the time we don't put money into the fund and then make a decision from there. But, again, as Senator Withem said, I think that if we need that incentive at that time, we will have this approach on board. We won't have to go through the grueling process of recreating another initiative to do that. If 611 in itself and the teachers' salaries are where we want them to be and the funding method is there under 611, then we can do away with this program at that time. We no longer need

an incentive if, in fact, people are operating at a level that we hope they would achieve via this technique. So that is why I am opposing Senator Haberman's concept simply so that we don't have to revisit it if it needs to be done again at a future date.

PRESIDENT: Thank you. Senator Moore, please, followed by Senator Lamb and then Senator Rod Johnson.

SENATOR MOORE: Mr. President and members, I rise to support Senator Haberman's amendment, and the reason I do so is quite simple, and I probably need just a 30-second lesson for those that don't understand the total state aid to education. Give you an example, '86-87, the state distributed \$228 million in state aid to education; 122 of which approximately was foundation, equalization. The other 106 was categorical aid. So the question is, do you want to call money through this new funding formula, do you want to compare it to foundation, equalization or do you want to compare it to the categorical aid like special ed and transportation and items like that? I guess I, myself, prefer, because the form that LB 89 is really in is it is a form of state aid with some incentive there for school districts to get their teachers' salaries at a given level, and I think LB 89 is going to be a significant chunk of money that I think should be considered with foundation and equalization aid when we ultimately discuss the overall restructuring of our tax system. And if we have to revisit the issue of teachers' salaries, then so be it, but I think when we are talking about upsetting the apple cart in a lot of ways in dealing with restructuring the tax system in the State of Nebraska, it is important that the proteacher forces are very, very interested that we do a good job of that. But, obviously, my concern is if you do not do Senator Haberman's amendment, obviously, there may very well be some people that are fighting any sort of change, or if not fighting any sort of change, certainly not working towards any sort of change like I feel is ultimately necessary in LB 611. So I actually think the body would be wise to treat funding through the new H.E.L.P. program just like it does foundation, equalization, and if you buy into the process, if you buy into the cause of LB 611, I think you need to include the funding of this bill and the hammer to make sure that we revisit the total issue in the next year or two to come. And so with that reasons, I wholeheartedly support Senator Haberman's amendment and urge the body to do so as well.

April 19, 1989

LB 89, 611

PRESIDENT: Thank you. Senator Lamb, please.

SENATOR LAMB: Yes, Mr. President and members, Senator Haberman, would you respond to a question?

PRESIDENT: Senator Haberman, please.

SENATOR LAMB: I am not sure that, what you are saying is that in two years because equalization and foundation funding will be sunsetted under LB 611, then it follows that this proposal should also be revisited at that same time, is that correct?

SENATOR HABERMAN: That is what the amendment says, yes, Senator Lamb.

SENATOR LAMB: Okay, thank you very much. Yes, I think that is a logical argument. I don't see why that should be resisted in this body. I don't see why that should be resisted. You know, I think this whole amendment was drafted in haste. Nobody knows how it is going to work in their district or any other district. It certainly makes sense that we are going to be revisiting the whole school finance structure in two years, so it looks to me like this is a logical extension of that program, and I am amazed at those people who look at it differently. This is certainly state aid to education any way you look at it, and to sunset it at the same time we are going to sunset other forms of state aid to education certainly would be logical, so I support the amendment.

PRESIDENT: Thank you. Senator Rod Johnson. I don't see him. Senator Lynch, your...

SENATOR LYNCH: Question.

PRESIDENT: The question has been called. Do I see five hands? I do. The question is, shall debate cease? All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

ASSISTANT CLERK: 26 ayes, 0 nays to cease debate, Mr. President.

PRESIDENT: Debate has ceased. Senator Haberman, would you please close?

SENATOR HABERMAN: Mr. President, members of the body, I would

April 19, 1989

LB 89, 611

have offered the same amendment had I known what was going to come up in LB 89 when we were addressing LB 611. However, that is one of those things that you never know what is going to happen on this body, on this floor. I am not asking to adopt this amendment because I oppose the increase of teachers' salaries. I am asking you to...in fact, it might come out when we consider it in June 30, 1991, that they will get more money. You can't say that it is going to cost them money because we do not know what we are going to do by June 30th, 1991. So all I am saying is equalization, foundation, and aid to teachers in teachers' salaries should all be on the same playing field. We should take a good look at it, and at that time, I am sure that this body will do the thing that is best for education, and so I ask you to support the amendment. Thank you, Mr. President.

PRESIDENT: Thank you. The question is the adoption of the Haberman amendment. All those in favor vote aye, opposed nay.

SENATOR HABERMAN: Mr. Speaker.

PRESIDENT: Senator Haberman, please.

SENATOR HABERMAN: I think I can make it so I am going to ask for a call of the house and a roll call vote in regular order.

PRESIDENT: Okay. The question is, shall the house go under call? All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

CLERK: 17 ayes, 1 nay to go under call, Mr. President.

PRESIDENT: The house is under call. Please return to your seats and record your presence. Those not in the Chamber, please return to the Chamber so that we may continue. Senator Ashford, will you record your presence? Senator Chambers, Senator Goodrich, Senator Hartnett, Senator Rod Johnson, Senator Lindsay, Senator McFarland, Senator Wesely. Still looking for Senator Wesely. Still looking for Senator Wesely. I understand Senator Wesely will be here momentarily. The question, ladies and gentlemen, is the adoption of the Haberman amendment. A roll call has been requested in regular order. Mr. Clerk. Hold the conversation down, please, so the Clerk can hear your response. Thank you.

CLERK: (Roll call vote taken. See pages 1783-84 of the

SENATOR LYNCH: Thank you, Ron. Mr. President and members, I won't take much more than a minute or two. Just remember this is a teachers bill. It seems to me when we talk about tractors we talk about tractors. We don't think about whether they're in the city or in the county or in the country. When we talk about a lot of other things, we seem to isolate those issues pretty well. Why is it with teachers we make it an urban-rural issue at all? Ron just very adequately explained, for example, the fact that we tried to compromise. Maybe that was our mistake. You know, when you try to sit here and try to satisfy some of the concerns that people had, offer amendments, Senator McFarland, that make me unhappy with the bill, as well, but we have to live in a world of reality politically, and the teachers deserve a lot more than this bill will provide, but I feel obliged to support it simply because this is the best we can do, I think, at this point in time. Two years from now, with or without a sunset, we will be reconsidering this, LB 611, other bills that have to do with aid to education, but this bill, in fact, is a beginning. It does provide something we have done no differently than we have done in the past with special education and five or six other categories of earmarked funds for aid to education that I can see. Don't let this bill become a bill where you want to take it out on the NSEA, you know, that probably more than half of the teachers who work and survive in the smaller school districts don't belong to the association. Whatever benefit will be provided by this bill will go to them. It hasn't got a darn thing to do with who is the advocate for this kind of legislation, either on the floor or behind the glass. It is fair and we can afford it. This priority should take its place with all the other spending issues, and we can discuss how we are going to fund the total package when we consider everything, the recommendations that will come from...

PRESIDENT: One minute.

SENATOR LYNCH: ...the Appropriations Committee very quickly, the \$125 million worth of capital expenditures, this \$20 million for teachers, and all the rest. I think it is a fair thing to do. It is an appropriate thing to do. I hate to use the word "moral" but it is the moral thing to do. Teachers need our help. They are great folks. They don't deserve the kicking around they got for whatever reason or justification you might have. Give them some help. Support this LB 89 and allow it to pass on to Final Reading.

April 19, 1989

LB 247, 438, 438A, 591, 611

amended. Those in favor say aye. Opposed no. Carried. The bill is advanced. Anything for the record, Mr. Clerk? The A bill, I am sorry, proceed.

CLERK: I have no amendments to the bill, Senator.

SPEAKER BARRETT: Senator Lindsay.

SENATOR LINDSAY: Mr. President, I move that LB 438A be advanced to E & R Final.

SPEAKER BARRETT: You have heard the motion to advance the A bill. Those in favor say aye. Opposed no. The ayes have it. Carried. The bill is advanced. Messages on the President's desk.

CLERK: Mr. President, Enrollment and Review reports LB 591 to Select File with Enrollment and Review amendments attached.

Senator Wehrbein would like to print amendments to LB 247; and Senator Warner to LB 611. (See pages 1795-96 of the Legislative Journal.) That is all that I have, Mr. President.

SPEAKER BARRETT: Thank you, and let the record indicate that Senator Hefner had some guests in the north balcony from East Catholic Middle School in St. Helena, Nebraska, 23 eighth graders with their teacher. Senator Beyer, would you care to adjourn the body?

SENATOR BEYER: Mr. Speaker and members, I move that we adjourn until nine o'clock on April 20th.

SPEAKER BARRETT: Thank you. The motion is to adjourn until tomorrow morning at nine o'clock. Those in favor say aye. Opposed no. Carried. We are adjourned. (Gavel.)

Proofed by: Arleen McCrory
Arleen McCrory

April 20, 1989

LB 47, 66, 99, 135, 206, 247, 247A
324, 372, 381, 392, 395, 401, 482
506, 546, 548, 582, 582A, 608, 611
637, 777, 790
LR 81, 82

advancement of LB 247.

SPEAKER BARRETT: LB 247 is advanced. Anything for the record? The call is raised. Senator Withem, would you like to handle the A bill at this point? (LB 247A)

CLERK: Senator, I have no amendments to the bill.

SENATOR WITHEM: Move the advancement of the A bill.

SPEAKER BARRETT: Thank you. Any discussion? If not, those in favor of the advancement of the A bill say aye. Opposed no. Carried. For the record.

CLERK: Mr. President, thank you. Communication from the Governor to the Clerk. (Read communications regarding LB 135, LB 206, LB 324, LB 381, LB 392, LB 482, LB 395, LB 47, LB 66, LB 372, LB 401, LB 506, LB 546, LB 548, LB 582, LB 582A, LB 608, LB 637, LB 777, LB 790, and LB 99 as found on pages 1809-10 of the Legislative Journal.)

Study resolution, Mr. President, by Senator Goodrich and some other members regarding a review of state institutions where there is a permanent residence population. That will be referred to Reference Committee. (LR 81.) LR 82 is a resolution by Senators Pirsch and Lindsay asking the Legislature to applaud the efforts of 120 students in the...for their academic achievement. That will be laid over. (See pages 1810-12 of the Journal.)

Mr. President, Government Committee gives notice of confirmation hearing for May 4. That is offered by Senator Baack as Chair. That is all that I have, Mr. President.

SPEAKER BARRETT: Thank you. Proceeding then to the next bill on Select File, LB 611.

CLERK: Mr. President, the first item on LB 611 are Enrollment and Review amendments.

SPEAKER BARRETT: Senator Lindsay.

SENATOR LINDSAY: Mr. President, I move that the E & R amendments to LB 611 be adopted.

April 20, 1989

LB 104, 611

SPEAKER BARRETT: You've heard the motion to adopt the E & R amendments to LB 611. All in favor say aye. Opposed no. Carried, they are adopted.

CLERK: Mr. President, Senator Warner would move to amend the bill. (Warner amendment is on page 1796 of the Journal.)

PRESIDENT: Senator Warner.

SENATOR WARNER: Yes, Mr. President, members of the Legislature, this amendment is one that would strike provisions in 611 that repeal the Foundation Equalization Act, I believe it was June 30, 1991. I had some hesitancy about whether or not that was a good idea, actually I think it was a bad idea. But yesterday the body came very close to putting a similar provision on another state aid formula that was advanced. And it seems to me that to be consistent it would be logical to also remove the repeal of this state aid formula so that it stays in effect until a change is made, just as will be true of the other bill that was advanced yesterday that will stay in effect. It merely...the amendment merely takes out the repeal of the Foundation Equalization Act, as provided for in 611.

SPEAKER BARRETT: Discussion? Senator Moore, followed by Senator Hall.

SENATOR MOORE: Yes, Mr. Speaker and members, I rise to oppose Senator Warner's amendment, even though I do agree with some of his logic on the rational of what the body did yesterday and how it compares with that of the issue we're talking about in LB 611. But while Senator Warner is correct, and he said it merely strikes the sunset portion of the bill that is dealing with sunset of foundation equalization, when you merely do that you merely neuter the bill into absolutely nothing, practically, with the exception of the LB 104 provisions which say that you...dealing with the school district identification numbers and the data collection in the Department of Revenue. I think it's important that if this body really feels that we need to restructure the overall tax system in the State of Nebraska and really work on a tax shift, we're going to have to set some sort of deadline and say, yes, people in the State of Nebraska, and yes, to each and every one of us, that we're seriously going to do something. My concern is if you would adopt the Warner amendment you are basically saying, no, I think it's a good idea, but we're not really seriously going to look at it next

year or in the years after that. I think you're making a grave mistake. Because I think with 611, as it's now written, you're basically, conceptually buying into doing something. And it is my opinion hopefully that we're going to at least do something on the local income tax line. But if you strip that found...if you strip...if you adopt Senator Warner's amendment, you've taken the hammer away, you've taken the deadline away, and my prediction is you'll probably do nothing next year because you won't have to. And I think it's come to the point, over years and years, that it's time that we do something like this. And though I will concur with Senator Warner, I think it's important that LB 89, if it in turn does finally pass into law, I think it should be considered like foundation equalization and considered separately of categorical aid. And I will be working on that issue as LB 89 continues on Final Reading. But just because the body didn't see the light on that amendment yesterday, I urge them to not back down from their commitment on 611, that we're going to do something with the property tax structure and really try and perform some major surgery and really, really accomplish a tax shift in the next 12 months. With that, I oppose Senator Warner's amendment.

SPEAKER BARRETT: Thank you. Senator Hall, followed by Senator Haberman.

SENATOR HALL: Thank you, Mr. President. I also rise in opposition to Senator Warner's amendment, even though he states that it simply strikes the provision that would sunset the foundation and equalization formulas as we know them. It...and he's right, it merely does that. But it comes as close to, I guess, gutting the bill as you possibly can without literally doing that, because the...as Senator Moore pointed out, the bill does need those provisions so that folks will sit down and take a look, through the school finance review commission that both he and Senator Lamb are a member of, Senator Withem chairs. They will sit down and take a look at this funding issue that is, I think, probably paramount to all the school districts in the state and to the whole issue of our reliance on property tax for the funding of education. It is the measure by which people will know that the Legislature is very serious about changing the way in which we finance education at the elementary and the secondary level. I think that, if you adopt Senator Warner's amendment, that you in essence take away any incentive, if you will, to move toward the change in our financing system for education. It is a, I think, an amendment that cripples the

bill and I would hope that the body would not adopt it. Thank you, Mr. President.

SPEAKER BARRETT: Thank you. Senator Haberman, followed by Senator Withem.

SENATOR HABERMAN: Mr. President, members of the body, I'm rather pleased to stand up here and agree with Senator Warner as I feel after tomorrow it will be one of the few times that I will agree with him, as it's my understanding we're going to get the appropriations bill at that time. The bill says it is the intent of the Legislature to replace the present school financing system with a system which shares the income tax base with local school districts to provide substantial and enduring property tax relief. So it seems to me that it is in the eyes of the beholder as to what that means, exactly what does that mean. It means that we can go ahead on LB 89 and commit the state to \$20 million a year forever, and that's what we did, we committed it forever, because they will be back in two years wanting 40 million, then after that so on and so on and so forth. But it's okay to cease the funding...the foundation and the other aid. So I guess I'm a little confused as to the wisdom sometimes of how this body operates. But I guess it all boils down to the eyes of the beholder. And evidently that lets them make the decision that they'd like to make. So, Senator Warner, I think you and I are probably the only ones that are going to stand up here and fight for your amendment, and I think we're probably going to lose. However I am pleased to support your amendment and would ask those in the body who would like to have a clear conscience do the same thing. Thank you, Mr. Speaker.

PRESIDENT NICHOL PRESIDING

PRESIDENT: You're welcome. Senator Withem, please.

SENATOR WITHEM: As one of those note quite as concerned about a clear conscience, Senator Haberman, I guess I am not going to be supportive of the Warner amendment. Now on a sleepy afternoon, a logy afternoon in the end of April, warm afternoon, the 69th day of the legislative session, it's kind of difficult for us to be able to take either a step back from our day to day grinding our way through the bills and looking at the mess on our desk and all of the sorts of things that we're involved with and step back and take a look at how this legislative session may be

remembered after we leave it. We are really on the verge, this session of making some very, very major changes, or at least putting into effect the process that will lead to some very, very major changes in the way in which we do things in this state. We are, for once, grabbing ahold of tough, difficult issues and are proposing solutions and are grinding out solutions to those proposals. The last bill, not just because it's...my name is on it, but because of all of the hard work that lots of people have put into it, is an example of that. We are not saying anymore, we're frustrated with higher ed. We're putting into effect some things that will bring about changes. The property tax issue, the one that probably there is not more greater unanimity of opinion on in November of even numbered years, by members of this body, when we're out there running for election, there is no more unanimity of opinion on any other issue other than that one, we're all in favor of lowering property taxes. Then when we adjourn the Legislature in April or May, we go back to our constituents and say, gosh, we tried, but the body just wasn't willing to do anything. Through the leadership of Senators Moore, Lamb, Chizek and Hall we have a package of two bills out here that are going to make us make a commitment to lower property taxes in this state. Senator Moore is offering the framework of a lasting solution to the property tax problem, through changing the way in which we fund schools. Soon as we deal with this bill, we'll be dealing with Senator Lamb's LB 84, which makes a major commitment to property tax reduction, very major, to the tune of \$94 million. Whether or not that solution becomes a permanent solution, or whether when it sunsets those dollars will flow into another way of relieving property taxes is yet to be determined. A key, key component to our putting in place the forces that will lead to lasting property tax relief is this bill of Senator Moore's, LB 611. And the key to that bill, the very heart of that bill is the repeal of our current state aid to education formula. The way in which we fund schools at the state level today does not result in property tax reduction. It is a small sum of money. It is distributed in such a fashion as it does not impact on property tax relief in the areas that need property tax relief, it is not sustainable property tax relief, just putting more money into our current funding formula, something I've stood on this floor and expounded upon favorably a number of times but just doing that is not going to lead to lasting property tax relief. To lower property taxes in the aggregate, in the long term you have to shift the way in which we fund education. We're making that commitment through LB 611 and the repeal of

equalization of foundation aid...

PRESIDENT: One minute.

SENATOR WITHEM: ...and if we strike that portion out of the bill, this might as well just be another resolution stating our intent is we'd sure like to reduce property taxes. But we're not going to do much unless we bite the bullet at this point when it's before us and make the commitment that we're going to change. You know what happens, I guess, on the downside if we don't reach consensus and we don't reach agreement, the worst thing that happens, I think, will be that this will be reinstated...the current formula will be reinstated and we'll live with that again. But I think this body this year wants to make some changes and I think this particular proposal of Senator Moor's is a good one to lead us in the right direction toward making those changes. I oppose the Warner amendment.

PRESIDENT: Thank you. Senator Bernard-Stevens, please, followed, by Senator Morrissey. Senator Morrissey, would you like to go until we find...oh, no, we found him. Thanks, Senator Morrissey.

SENATOR BERNARD-STEVENS: Thank you, Mr. President, and members of the body, just very briefly. Senator Warner, if I understand the reasoning, the rationale behind it, I think what you are saying is on LB 89 we tried to put a sunset equal to what was on 611 and we decided not to do that and so your amendment is to keep us consistent with what we decided yesterday. Is that...would that be reasonable to assume? Okay, yeah, that's the reason that you gave. Understood. I guess, it brought me to a point, I was going to say yesterday in the debate on 89, on Senator Haberman's amendment I believe that would have done so, but I refrained from doing such but you gave me an opportunity today to voice an opinion that I had yesterday. Senator Haberman was trying to get the body to agree to a sunset on LB 89 with the understanding that we have already done such...such a process on General File and now on Select File to LB 611. I always found that interesting that we would go ahead and say, listen, we're going to go ahead and since we did it on a bill that we haven't even passed yet, let's go ahead and do it on another bill that we haven't even passed yet. And so that logic really wasn't very good. If we had passed a bill setting a precedent, then we may want to go ahead and go it similarly with other bills in relationship to it. But to say that we

should do it on a bill that we haven't...on a bill that hasn't passed because we may do it on another bill that is yet to be passed, I think defied logic yesterday, equally defiable I think is to come back and say, since we didn't do it on a bill that hasn't passed yet because we did it on a bill that is yet to be passed yet, therefore, we neglected to do it, let's be consistent with that, I have a problem with that whole thing, if you can follow all of that. So I don't think there is any consistency anywhere. With the one example that we do have two separate issues sometimes before us, we will at some point make a final decision on Final Reading whether we would sunset as we will on Select File whether we should sunset or not and at that particular point we would have set a precedent which may dictate what we do otherwise. Other than that, I think you either agree with the sunset...setting, putting a hammer, as Senator Johnson, a 10-ton anvil to make sure the Legislature gets something done in this area or we agree not to do that. So, at this point, I would oppose the Warner amendment. Thank you.

PRESIDENT: Thank you. Senator Morrissey, please, followed by Senator Moore.

SENATOR MORRISSEY: Mr. Speaker and members, I was going to say something but Senator Bernard-Stevens cleared it up for me. So I will call the question.

PRESIDENT: What did you say?

SENATOR MORRISSEY: I said, since I'm not going to say anything, I will call the question.

PRESIDENT: Oh, no, you can't speak and then call the question.

SENATOR MORRISSEY: I didn't speak.

PRESIDENT: Pardon me?

SENATOR MORRISSEY: Okay, then I will speak, if you...if you don't care.

PRESIDENT: Okay.

SENATOR MORRISSEY: I oppose the Warner amendment. LB 611 is something my district has really embraced as something they really think is very much needed and a very good bill. Maybe

that's because the roots of the bill are in the district. And...I lost track there, Frank. But I really...I really agree with 611 and I think the sunset is very much needed. And if it takes a 10-ton anvil over our head, I think that's what we need. So I would oppose the Warner amendment and I would like to give a minute to Senator Korshoj.

SENATOR KORSHOJ: Question.

PRESIDENT: Senator Haberman, please.

SENATOR HABERMAN: Well, Mr. President and members of the body, I greatly appreciated Senator Withem's speech on the quality and the merits of 611 and all the work the people did on 611. However, I fail to see whether that has anything to do with the discussion of the Warner amendment. However, the discussion that we have been talking about on 611 was talking about property tax relief and how we should have property tax relief and to have property tax relief we should stop paying the state aid on foundation and equalization. But nobody wants to step up and assume the responsibility that on LB 89 down the road will cause an increase in property tax relief, as that fund is going to level out to where the \$20 million is gone, is used up, and then what are we going to do? We're going to come back down here and we're going to tell the school, you raise property taxes and pay the money. But, evidently, that's different stopping that and having a sunset on that than it is on these two issues and that's what I fail to see...I fail to see the rationale as to how you can support sunseting two parts of the school aid when the third part that they do not and did not want to sunset, which is the same issue, in the same main stream, on the same road, and they said, no, I fail to see the rationale. So I still support the Warner amendment and ask you to do the same thing. Thank you, Mr. President.

PRESIDENT: Thank you. Senator Withem, please.

SENATOR WITHEM: Would call the question.

PRESIDENT: Do I see five hands? I do. The question is, shall debate cease? All those in favor vote aye, opposed nay. We're voting to cease debate. Need a little help, please. Record, Mr. Clerk, please.

ASSISTANT CLERK: 26 ayes, 0 nays to cease debate,

Mr. President.

PRESIDENT: Debate has ceased. Senator Warner, would you like to close, please.

SENATOR WARNER: Mr. Chairman and members of the Legislature, I indicated in my opening that this was done to be...done to be consistent and that was the reason. If you choose not to adopt this amendment and choose to leave LB 89 as it is, and we pass it, then what you will have next session is one distribution formula left for state aid, because, as I understand LB 89, it is a formula for distribution that's applicable to 20 million or 153 million, either way, as long as you put the money in the right slot in the appropriation bill. So the anvil, folks, isn't there. Now I may not want an anvil. I haven't seen the distribution of LB 89 and I may think that is the best doggone state aid formula we have ever had. I don't know yet. But that potential is there, as I understand the bill. If I am misspeaking, I will stand to be corrected but I don't think so. So the amendment is in good faith. I don't agree with the concept that you do good law by creating crisis in order to act. But if that's what we're going to do, then make sure that you are, in fact, creating the crisis because if I like LB 89's distribution and that's law and the other one is automatically repealed, I don't have a lot of interest in changing it, nor would anyone else who would be like situated. So the amendment is to call your attention that you're not creating a crisis, you're creating a real good advantage for one distribution formula which might be one I like or it might be one that 25 of us like and then that won't be any hammer at all. So I would give careful thought that if you want to leave the sunset here, you ought to give careful thought to put it in the other one, although I would also agree that when we get a distribution formula maybe we won't want to do that in 89 this year either, just leave this one like it is. We might...we might really bring about some substantive change in how funds are distributed.

PRESIDENT: Thank you. The question is the adoption of the Warner amendment. All those in favor vote aye, opposed nay. Have you all voted? Record, Mr. Clerk, please. Record vote has been requested.

CLERK: (Record vote read. See page 1813 of the Legislative Journal.) 18 ayes, 17 nays, Mr. President, on the amendment.

April 20, 1989

LB 84, 611

PRESIDENT: The amendment fails.

CLERK: I have nothing further on the bill, Mr. President.

PRESIDENT: Is there any discussion on the advancement of the bill? Senator Moore. Just yours.

SENATOR MOORE: Well, just briefly, I would like to mention that if you look in your bill book, there is a new fiscal note as of 4/19/89, and there will be a corresponding A bill introduced and the A bill expenditure is due to the requirements in the bill that income taxpayer include the school district identification number and you will notice that that impact of that is...according to the fiscal note is \$197,000 and that will be a corresponding A bill and I just want people to be aware of that.

PRESIDENT: Okay, the question is the advancement of the bill. All those in favor say aye. Opposed nay. It is advanced. LB 84, please.

CLERK: Mr. President, the first item on LB 84 are Enrollment and Review amendments.

PRESIDENT: Senator Lindsay, please.

SENATOR LINDSAY: Mr. President, I move that the E & R amendments to LB 84 be adopted.

PRESIDENT: You have heard the motion. All in favor say aye. Opposed nay. They are adopted.

CLERK: Mr. President, Senator Conway would move to amend.

PRESIDENT: Is there anyone authorized to handle Senator Conway's amendment?

CLERK: No.

PRESIDENT: Mr. Clerk, do you have another amendment?

CLERK: Mr. President, Senator Withem would move to amend.

PRESIDENT: Senator Withem, please.

April 25, 1989

LB 84, 247, 247A, 575, 575A, 611, 739
739A, 812
LR 87

of LB 812 to E & R Engrossing. Those in favor vote aye, opposed nay. Have you all voted? Record vote has been requested. Record, Mr. Clerk.

CLERK: Voting aye Senators Beck, Beyer, Byars, Coordsen, Crosby, Dierks, Elmer, Goodrich, Haberman, Hannibal, Hefner, Lowell Johnson, Kristensen, Labedz, Landis, Langford, Lindsay, Moore, Peterson, Rogers, Schimek, Scofield, Warner, Wehrbein and Weihing. Voting no Senators Abboud, Bernard-Stevens, Chambers, Chizek, Conway, Hall, Korshoj, Lamb, Morrissey, Robak, Schmit and Withem. Senator Smith voting yes. Senator Barrett voting yes. 27 ayes, 12 nays, Mr. President, on the advancement of LB 812. (Record vote not printed in the Legislative Journal.)

SPEAKER BARRETT: LB 812 advances. Anything for the record, Mr. Clerk?

CLERK: Mr. President, study resolution signed by the Business and Labor Committee. (Read brief description of LR 87. See pages 1907-08 of the Legislative Journal.) Referred to Reference Committee.

LB 247, LB 247A, LB 575, LB 575A, LB 611, LB 739 and LB 739A are all reported correctly engrossed, Mr. President. (See pages 1908-09 of the Legislative Journal.) That's all that I have.

SPEAKER BARRETT: Thank you. Proceeding then to Select File, senator priority bills. LB 84.

CLERK: Mr. President, LB 84 is on Select File. The bill was last considered on Select File on April 20, Mr. President. At that time there was an amendment to the bill by Senator Lamb that was adopted. Senator Chizek then made a motion, Mr. President, to indefinitely postpone. Senator Lamb agreed to lay the bill over. That motion is now pending.

SPEAKER BARRETT: Senator Chizek.

SENATOR CHIZEK: I want to withdraw my motion.

SPEAKER BARRETT: The IPP motion is withdrawn.

CLERK: Mr. President, I then have amendments by Senator Conway to the bill. Senator, these are your amendments on page 1622 of

funding for the second year for it. Maybe if we do that, we can appease some people and work with some people and work out a compromise so we can forge ahead on this issue. I think you have all listened to what has happened over the weekend and over the last couple of days, a variety of things have happened. But with the amendment we have before us now, we're right back to where we were Friday morning. And I think, as it was wise on Friday morning, I think this amendment is wise today because the fact of the matter is unless you're willing to vote for an amendment like Senator Landis has offered to raise taxes the second year, you don't have a way to fund the second year of the bill. And if you're not willing to do that, then I think you're wise to make it a one-year bill and say, we're going to put this program into effect, next we're going to come back, we're going to debate this and if we want a second year of it, we're going to pay for it probably with the...if we need to, with a direct tax increase and a direct tax shift, a tax shift to a program that the people of the state will be able to understand because they will be in the middle of experiencing it. And I also want to remember that it's at least my intention and, you know, my...my support for LB 84 lies in the fact or the hope, I guess, that 84...LB 84 is indeed a stopgap measure for one or two years that leads us into a restructuring of the tax system. Hopefully, like that it's laid out in the intent language in LB 611. Now maybe that's if there's...there's a lot of ifs in there, I'm the first to understand that but I think it's important that LB 84 in concert with 611 is giving the property taxpayer of the state relief for the short term while we work on the overall problem. I think that's good. So I'm honestly supporting the amendment. But I also want to point out a few more things in relation to the compromise proposal that at least some of us were exposed to yesterday and I stand here and applaud the Governor for trying to work with us on it. Unfortunately, we've just not come to an agreement. The fact of the matter is there is more than just the cap problem Senator Landis talks about. That's just...of the \$23 million increase in the bill the Governor proposed, the cap is only about \$6 million, another \$10 million came with a concern the Governor had about homestead exemption, the way the bill is right now, but remember that's abruptly \$10 million. They're saying you've got to give people an option of a \$1,600 homestead exemption or 10 percent, whichever is greater. They said there was constitutional problems there. The Governor's office also mentioned that you had to include personal property to pass constitutional muster. Well, the fact of the matter is that

guess. There isn't the slightest doubt in my mind, if LB 84 is enacted, it will, in fact, have stability, it will be funded next year, and I don't think you can change it. I don't think you could refuse to fund it. Actually, I have an amendment up there that was to delay the effect of it until July 1990, one year before LB 611 is to be providing the information to solve the school finance question. Now if we need a temporary solution, which some have suggested waiting for 611, which by the way once we start talking income tax increases at the level that that will have, I suspect that you will find some public interest in that that will not be positive. But that is another day and two years away. But it would make more sense to me then to support a stopgap, if that's what it is, a refund of the collections that exceeded expectations in November of this year, and then put LB 84 in the next year. The one problem I really have with that bill that no one, at least to my satisfaction or understanding at least, has answered, deals with the cap, not the dollar amount. I haven't the vaguest idea, nor have I found anyone who could define to me what the definition of the economic entity that is to be capped, I just plain don't know and I doubt that anybody else knows. Though I've indicated before, I'm not much interested in trying to explain to a group of constituents who may be organized in a variety of ways why they are subject to a cap when somebody else that is organized differently, may be family operations, why somebody else who is organized differently does qualify. And you can say, well, that is no big problem, you can adjust. No problem (inaudible) don't cost much, as a matter of fact, change title on real estate. But at least in agriculture it's not that simple anymore, because you also have ASC with a bunch of rules and regulations that you have to live with. And you will find, I suspect, through interpretations that you're going to be putting unreasonable caps on some operations, some businesses, which makes no sense, but that time will tell. If the implementation was delayed a year, with the authorization to establish rules and regs and you had a chance to know how those provisions were being interpreted, why then it would seem at least you'd have some chance of explaining a yes vote on this bill, should those interpretations not be as you would hope. Finally, I also have a problem with the definition currently in statute on an owner-occupied residence. In the old days, when we used to have homestead exemption, it didn't really make much difference because...

SPEAKER BARRETT: One minute.

SENATOR ELMER: Thank you, Mr. Speaker, I'll be quite brief. LB 84, as it stands with the one-year sunset, really doesn't change realities, we all know that we'll be talking about 84 at the beginning of the next session, because people will want it to stay. I agree with Senator Bernard-Stevens, whether we had a one-year, a two-year, or no sunset at all, I think we need to be consistent. We all think that beginning in...that the beginning of the 92nd Legislature, with LB 611, LB 89, LB 84, LB 809, that we'll be able to address this in a more permanent manner. And we need to be ready to broaden our tax base at the state level to support those. But I'll support LB 84. I urge its advancement because, in reality, we all know we'll talk about it next year, if it has a sunset or not. Thank you.

SPEAKER BARRETT: Thank you. Senator Abboud, followed by Senators Hall, Chambers, Chizek and Withem.

SENATOR ABOUD: Mr. President, colleagues, this is \$94 million that is going to go back to the taxpayer. Quite frankly, I'm happy to see it go back in the form of property tax relief, but if the body chose to give it back in the form of an income tax rebate or sales tax rebate, I would be supporting that as well. I view this as a rebate back to the taxpayer. We're giving the money back this year instead of putting it into the General Fund appropriation, we're putting it in, we're giving it back to the taxpayers so that it will not become a part of our continuation budget, and I think that is the crucial crux of LB 84. It is significant in addition because we're providing property tax relief to the homeowners, the individuals that I have been receiving calls and letters from over their property tax bills. I think that we have an opportunity, this year, to either spend this additional \$94 million or give it back to the taxpayers, and I would choose to give it back to the taxpayers this year. Now, in addition, I think we have to look to the other proposal that is before the body, LB 89. It has some good characteristics, but I think that the best course of action would be to advance LB 84, and then I also plan to advance LB 809 and take a look at the two proposals on Final Reading. I think that each of them have some good points. I think the one-year appropriation is the wisest approach considering in past years we've had a great deal of revenue, and then the next year it would slack off. So I think the wisest approach is the one-year, we'll see if we have the money next year to fund this property tax relief for an additional year, it's my hope that it

the people and we absolutely do not want to give them back any more of the income tax money that they paid in. Senator Moore, your LB 611 is supposed to a property tax relief bill, is it not? So it will kick in in a couple of years and there might be some mechanics in the bill that needs worked on, I don't know. They say it's unconstitutional. Well, let's give them the money back, let them spend the money and then when it's declared unconstitutional see if they can get the money back. They can't get it back. Probably won't have the ruling for a year or so and they can't get it back. You can't get...you can't get blood out of a turnip. But the people in my district keep saying, give us some property tax relief. They don't say give it to us for 10 years. They would love it for the rest of their life but if we give it to them, they will spend the money. It will help the economy. And I'm sure they would be very happy to get \$174 or whatever it is. And next year I think it can be bigger because I think it's...we're going to swell up with this state income tax that we have. So I'm not going to let them...I would vote against reconsideration. Let's see what happens because I know they will accept the one-year refund. And I will give the rest of my time to Senator Smith, not Schmit, Smith.

PRESIDENT: You have three minutes, Senator Smith.

SENATOR SMITH: Thank you, Mr. Chairman, and thank you, Senator Korshoj. I would like to ask a question. We have been doing a lot of talking for a long time on this issue. I would like to ask either Senator Lamb or Senator Scott Moore to respond to a question that I would have.

PRESIDENT: Which one?

SENATOR SMITH: Maybe it will take both of them. We'll start out with Senator Lamb and maybe we can continue with Senator Moore because what I'm going to ask is for them to lay out for me...Senator Lamb, I have heard you say you will support LB 809, I've done the same thing. You want LB 84, I've done the same thing. And Senator Moore has LB 611, I'm doing the same thing. My concern is, how do these really, really all mesh together or do they? And my reason may be different from yours. My reason is that I, like you, Senator Lamb and other people on this floor that have talked for some time all through this whole session to me about the fact that we want property tax relief some way or another. We've managed to get to this point, as Senator Schmit has said, and a few of the people, they have never ever reached

this point before evidently. We've done it now. We are actually to the Select File level with property tax relief on this bill. We need to put something together that's going to be workable, is my only concern, but I do want to make something happen. Can you tell me how LB 809, 84 and LB 611 can work together?

SENATOR LAMB: Well, when you get to the final analysis, it will be either 809 or 84 and then those, theoretically, will blend in to LB 611 down the road which, basically, the School Finance Review Commission is working on. But that...that commission's work has not been finalized at this point, but they are looking at reducing property taxes by an increase in the sales tax and income tax.

SENATOR SMITH: And/or or both?

SENATOR LAMB: Probably both.

SENATOR SMITH: Probably both. All right, thank you. I guess I don't need you, Senator Moore.

PRESIDENT: One minute.

SENATOR SMITH: I guess that Senator Korshoj may not be so glad he relinquished his time to me because what I am thinking to myself is, doesn't it seem logical that the sunset should be two years on your bill then, in case your bill is the one that we deal with which comes right before Senator Moore's bill. The study has been concluded. Wouldn't it make better sense to have a two-year sunset?

SENATOR LAMB: Well, it really, as I mentioned before, it really doesn't make a lot of difference because we're going to have to come back here next year to see how the financing is going. I'm hoping...I'm hoping that our present tax rates will support LB 84 for two years. Now, if it will not, then we will have to revisit the issue whether or not we have a one-year or a two-year sunset and I can go either way on that sunset provision but I think there are more people in here who are more comfortable with a one-year sunset than they are with a two-year.

SENATOR SMITH: You're saying that you think there's...

collect cash from the customer but must send a bill to his customer's employer. Further, the store manager is responsible for planning each customer's meals. If he errs in judging what is best, his customer can sue him. Also, the store must keep careful records of each can of peas sold by brand name, by size, by number of peas in each can, the customer's age, and the employer of the customer. Similar reports are required on every product he sells. The store must certify in writing that each customer needs groceries before permitting them to enter the store. The store must have a committee to establish a shopping time limit for each customer. Any customer permitted to shop longer than the pre-established time may not be required to pay for his or her groceries. The store must have written approval of government authorities before adding or deleting any product or brand. The store must have a master's degree in marketing. There are many more regulations which the hospitals are subjected to but this is enough to help you understand why costs of medical care in the United States have gone up much faster and much higher than the price of groceries. I would urge the defeat of this counterproductive amendment.

SPEAKER BARRETT: Thank you. Senator Warner.

SENATOR WARNER: Mr. President, members of the Legislature, I would rise to support the amendment. I, periodically, every session, at least I tend to feel guilty about something I should have done and I didn't do, and, frankly, I feel a little guilty not having gotten in with this a little sooner and provide some support to Senator Wesely and others of you who have been trying to stress with this...are being stressed with this issue. As I understand, what we are talking about is some information. We have got LB 611 going across up here. It is to provide information so you know where income tax and be able to finance schools. We have got LB 744 that I get calls about every day. It is to provide information about how our educational system is working. We spent \$350,000 for the Syracuse study. One of the things it said is we didn't have adequate information. It is a bill that won't be acted on this day, it is up on General File, to help provide that. All that we are doing here is trying to provide some information for informed decisions. You know, for the life of me, what is wrong with that? Your choice is simple. Either you do some statistical, informed decision or you rely on some hired hand that is paid to tell you what somebody wants you to think. This is simple. Support Senator Wesely's amendment, provide some data that informed decisions can be made. I see

SENATOR HALL: Thank you, Mr. President and Senator Scofield. I appreciate the opportunity and I will try to answer the question as best I can. I look at LB 84 as a stopgap proposal. It is just basically temporary. Hopefully, we will be able to do something in the same fashion again next year. Maybe it won't be at the same dollar levels but, hopefully, it will be near the same proportion and have the same allocation. We have moved across the board LB 611, which is a bill that deals with the issue of the long-term relief with regard to our dependence at the local government level for funding that we rely on property tax to play. I see 611 moving us in the direction so that we make the shift. We are not going to reduce the cost of education, which we rely for 70 percent of our local property tax dollars for to pay, but what we are going to do, hopefully, through 611 and information, hopefully, that results that come from the School Finance Review Commission, that Senator Lamb, Senator Moore, and Senator Withem chairs, provide to the Legislature that we will put in place a shift so that we get nearer to what I think many people have agreed is a good proposal in the example that they have found through the Kansas plan that they have looked for. Of course, that has to be modified so that it fits the needs of the State of Nebraska, it fits the needs of the school children, and the taxpayers in Nebraska.

SPEAKER BARRETT: One minute.

SENATOR HALL: But I see that as where we are going down the road, and what 84 does is it says, look, there is money here to provide a relief. It is, if you will, a stepped up approach. You have three steps to get to the house. Okay, the first step is 1989 property tax relief in the form of 84. Hopefully, next year in 1990, you get to the second step and we will provide as close to this level as possible, and in 1991, hopefully if not sooner, we move up to the porch and we walk through the door, and we make the shift that has to take place so that we do provide a different funding source for education in the area, and we move away from the reliance on property tax at the local level. It is not anything magical. It is not something that will happen overnight, but I do believe that this is the first step that we have to take in order to provide for that.

SPEAKER BARRETT: Senator Hall, your light is the next light as well, do you want to continue your comments or not?

to state openly that I believe we probably would better serve the State of Nebraska over the next two or three years or longer, perhaps, as we head into what I believe are going to be some tough times to save some of this money somehow and feed it back into the General Fund in the future. We have a bill here that hasn't received much attention but it is there. I would even be comfortable with cutting the 100 million, 98.1, or whatever it is, to 50. I can remember two or three months ago 50 million was going to be pretty significant property tax relief, and I guess just to state the ideas we had down the next ten days as something to think about, it would be my opinion to think about perhaps reducing the property tax relief. I am not saying take it away completely but at least consider moderating that and doing something to save some of this money that I think we are going to need badly in the next two or three years. Agriculture is about 30 percent of Nebraska's economy. It is about 18 to 20 percent of the national economy, so regardless of what times are ahead, it is going to have an impact on us quite significantly, and I think we might well be served to remember that these are the good times as we go ahead and we ought to save some of those for the bad times that I...or at least the less desirable times that we may be facing, and if we really want long term property tax relief, which I think we should head toward, it probably ought to be a shift. If that means increasing sale and/or income tax to do that, that would provide the true property tax relief and I know there is a bill out there in LB 611 that is heading toward that, a part of the school finance project, but I'd hope that that would fit in overall to the picture somehow that we could maybe make some progress. And so I see this LB 84 as a temporary thing because there is the temporary money, but, long term, I don't think there can be any true property tax relief until we actually think about raising the sales or income tax to replace that and still have some form of limitation that will slow down the rate of growth in property taxes that are now supporting our local governments. So I just had to say that as a matter of philosophy because I know we have got 10 days to head towards some common ground. The only way we are going to know how to do it is to talk about it, and see where each of us is, because I know all 49 of us have a different agenda. I am sure we all could have balanced the budget in our own mind if we could just push the button. I think I could, too, but we have to get 49 different ideas into that, and I guess the only way we are going to get to it is talk about it.

May 15, 1989

LB 312, 611

SPEAKER BARRETT: Senator Withem.

SENATOR WITHEM: Yes, thank you, Mr. Speaker, members of the body. LB 312 is the bill that continues the School Finance Review Commission into a second year. Since I filed this amendment, this commission has gained maybe some additional pressure on it to deliver a quality product. If you remember on LB 611, Senator Moore's bill, we are committing ourselves to a change in the way we finance public education in our state and it is I think the intent of the supporters of LB 611 that the School Finance Review Commission, while we're not giving them a blank check, we are certainly saying that they are probably the most respected, at least, group in the state now working on this problem. The way LB 312 is currently written, the Commission expires in June and this bill would not go into effect until the end of August, so there'd be a two and a half month dead time when the Commission would not be operating until the bill went into effect reauthorizing it. What the amendment to 312 does, very simply, is it adds the E clause. Would appreciate your adoption of this amendment. If you have any questions, I'll answer them.

SPEAKER BARRETT: Any questions? Any discussion on a motion to return the bill? If not, those in favor of its return vote aye, opposed nay. Record, please.

CLERK: 28 ayes, no nays, Mr. President, on the motion to return the bill.

SPEAKER BARRETT: The bill is returned. Senator Withem.

SENATOR WITHEM: I would move the adoption of the amendment which simply adds the E clause.

SPEAKER BARRETT: Any questions? Any discussion? If not, those in favor of that motion vote aye, opposed nay. Record.

CLERK: 27 ayes, no nays, Mr. President, on adoption of the Select File amendment.

SPEAKER BARRETT: The amendment is adopted. Chairman Withem.

SENATOR WITHEM: Move to readvance.

SENATOR CHAMBERS: Our students must be taught that their judgment is as valid as anybody else's. As a matter of fact, when you come to a position held by the majority, you can count on the majority being wrong. The majority do not think. The majority will have their opinion made for them by somebody else. So it is usually the one or the few who are going against the current, who have analyzed the situation and will bring about a needed change. Now I'm going to support Senator Kristensen's amendment for sure. If Senator Warner's semitrailer is added to it, I will have to support that too.

SENATOR LAMB: Senator Abboud, did you care to address the amendment to the amendment? Question? Do I see five hands? I do. Those in support of ceasing debate vote aye, those opposed no. Have you all voted to cease debate?

CLERK: 26 ayes, 0 nays to cease debate, Mr. President.

SENATOR LAMB: Debate is ceased. Senator Warner, to close on his amendment to the amendment.

SENATOR WARNER: Mr. President, members of the Legislature, very briefly, first, I should indicate that I would not, I do not expect to support the amendment with or without this amendment. But the reason for offering it is what I stated originally and that is that there isn't any question but what we will have to continue that funding next year. Earlier in the session we talked extensively on LB 611 which is not to take place until '91 session. There obviously is a gap, assuming that develops into something and the only realistic thing it seems to me is to fund it both years if it is to be funded at all. And finally, I do tend, I have made a choice personally a few weeks ago now I guess, and that choice was LB 89 or state aid to schools and not both. It's about the same amount of money, a couple million difference. But I suspect that this is one of those cases where it will end up at some point of one or the other. So I would urge though that for consistency that the amendment be adopted so at least we deal with both years. Senator Kristensen asked to have some time and this will constitute my closing and whatever is left I will yield to Senator Kristensen.

SENATOR LAMB: Senator Kristensen.

SENATOR KRISTENSEN: Thank you, Mr. President and members.

of these things that we're doing. The money probably is not going to be there to do LB 84, property tax relief, forget the bill number, the income tax relief bill, indigent care, teachers' salaries, all of those kind of things. It's not going to be there. We in this body need to set our priorities in the area of education which I, as you all know, carry deeply, care deeply about, end up carrying more education bills than anybody else in here. I probably ended up carrying more state aid to education measures than anyone else in this body. I have a set of priorities for this session, and I think I've discussed those with a number of people. In the spending area there are two things that are at the top. One of them is the teacher pay bill. Frankly, the other one is...everybody talks about LB 84, LB 84 is not just a one-year property tax relief package. The LB 84 package includes also LB 611. We forget about LB 611. Senator Moore, kicking and screaming all session long when you talk about property tax relief, has said, you've got to have a long-term property tax relief solution, and he is bringing it to us. Those are my priorities. We're putting \$98 million into property tax relief with the package being that that is to fund education when we get the permanent long-term solution together. That's what I'm for and that's what I support. And the thing that upsets me about this, I guess, in addition to my dishonesty with myself in thinking I could support this this morning and everything would turn out fine, is the fact that for 80 days of this session that appeared to be what the education lobby was supportive of. You didn't hear a peep out of them when LB 611 was going through. You didn't hear a peep out of them when LB 84 was going through, that that was what we were going to be doing to fix up financing of our schools. It's only at the last hour that they decided that they need more money out on the table. I guarantee you, Senator Kristensen, Senator Moore, Senator Baack, anybody else, Senator Korshoj, if we put \$20 million of state aid into this budget this year, in August of this year when they are back holding their public hearings, property taxes are still going to go up and you know whose fault it's going to be? It's going to be your fault, Senator Korshoj, your fault, Senator Baack, my fault, Senator Withem, because it wasn't enough. We didn't do enough, and we're going to get blamed anyway. For \$20 million you're not buying anything. All you're doing is taking \$20 million off of the table that will fund some of these other projects. The solution to school finance is a long-term solution through LB 611, through LB 312, the bill that we're having to expand the school finance provisions, through getting 84 passed and getting some

May 17, 1989

LB 84, 89, 525, 611

short-term property tax relief out there for folks. Twenty million dollars in this bill will not go any...will not do anything and it ought to be reconsidered. I'm going to support Senator Lynch's reconsideration motion and would urge you to do the same. Senator Ashford, I don't know if there's any time left but I said I'd give some to you.

SPEAKER BARRETT: One minute, Senator Ashford.

SENATOR ASHFORD: Briefly, that's all I have, briefly, obviously, is I also rise to support the reconsideration motion for many of the same reasons raised by Senator Withem. First of all, LB 89 has changed significantly from what it was originally intended to be and has many characteristics of state aid anyway, but more than that, and as Senator Withem also said, I, amongst many others are looking at LB 84 and Senator Moore's LB 611 for long-term solution in the area of education. I've always supported state aid in the past and given the right circumstances I will, I'm sure, as long as it's reasonable, continue to do it in the future. But it is late in the session, there will not be enough money for both. I think we are clearly pulling the wool over our own eyes by suggesting that there might be and giving a vote so that...and I know I got quick calls from both of my superintendents today, but I think we...really, the die was cast long ago...

SPEAKER BARRETT: Time.

SENATOR ASHFORD: ...in the area of state aid, and with that, I would support Senator Lynch.

SPEAKER BARRETT: Senator Bernard-Stevens, followed by Senator McFarland.

SENATOR BERNARD-STEVENS: Thank you, Mr. Speaker, members of the Legislature, I don't know, some people mentioned that when I get excited or upset that maybe my voice rises about an octave and I talk too fast and I get a little louder in my voice and I'm excited and I'm kind of angry but I'm going to try not to do that, not yet anyway. So if I start to, somebody may want to do a point of personal privilege or point of order so I don't do that. Thanks, Chris. I, too, like Senator Withem, have a very difficult decision, being in education really all my life. My grandmothers were in education, my parents, my mother was in education, she still is a professor at the University of

Nebraska as a matter of fact, and I'm proud of that. I've been in education, my older sister is in education, we are an education family. And I, like Senator Korshoj, have always supported state aid to education. I have always been saying that the State of Nebraska has always fallen short on its promises of giving state aid to education, but I cannot support the Kristensen amendment. And, of course, I voted yes so that I could reconsider, Senator Lynch simply beat me to the punch. I don't want to repeat what Senator Withem said. He talked about long-range property tax. I want to hit another topic that I think closely relates. Senator Dierks, for example, said that this would give property tax relief. Though I know the Syracuse Study's numbers were incorrect, the basic thrust of the Syracuse Study showed that significant increases in state aid in the State of Nebraska has not significantly reduced property taxes and I think this body knows that. I think the body realizes that this will have no effect on property taxes, so let's not vote this because it will help property taxes. My major contention is really what an article, a series of articles that appeared not too long ago about this body, about a lack of leadership, and I questioned those articles and I said I don't think that is right. We don't have particular senators that the Legislature has known for from years back. I think we have a different make of a Legislature, a different kind of leadership where we work with consensus, we work better with people. But I am getting a little bit concerned that at some point we in the body must take some leadership role in this state. At some point we have to say, we can't do any more. State aid to education, I can't think of a higher goal. I would like to do some things for day care centers, for mentally retarded, for a hundred other programs that are underfunded, that need more money, that we've already had to say no to. It's time I think for the Legislature, we only have five days left, it's time sometime, and I think the time is now for the Legislature to say to ourselves, we must take the lead. We must understand as we all do that enough is enough. We must understand that it is a difficult decision, but it must be made. Education is going to do well in this state. Higher education will do well with the budget that we have in LB 813 and LB 814. We're going to have some long-term property tax solutions on school refinancing in LB 611. We have special programs for the handicapped that are being funded, that the schools will have aid for and those haven't been talked about. In many, many bills of which schools are involved, this Legislature...

out approach that Senators Moore, Lamb, Chizek and Hall, just almost forgot Senator Hall there, I'm sorry, dangerous to offend Senator Hall on the floor here today so I apologize for doing that. If they prefer that approach, the well reasoned approach of using the surplus this year for direct property tax relief through homestead exemption and through a rebate and working toward a long term solution to school finance, I may accept that as their message and their conclusion. I don't think that's the direction to go. We're not going to...Senator Schmit, I made the mistake of listening to your speech there a few moments ago and what I heard was \$100 million is no good, \$100 million isn't property tax relief, the people in your district won't accept that. Yet \$20 million in state aid to education, my gosh, that...people will be beating down the door thanking you for the great relief. A \$100 won't do it but \$20, my gosh, that's great. It doesn't work that way, doesn't work that way at all. And, again, I repeat, you know...if you remember, do any of you remember what happened...we have such short memories in here, last year our Governor, to her credit, was the first Governor in a good number of years that proposed an increase in the existing level of state aid to education. In retrospect, it wasn't a whole lot of dollars. When it was proposed there were members of this body who were criticizing her, saying, my gosh, she's going to break the budget. In retrospect, it wasn't a whole lot of dollars. We added \$11 million last year. How many of you got cards from your property taxpayers or from your local school boards and your school districts thanking you for that? What did you get? I will remind you of what you got. When the budgets came out in August and September all you got was, don't blame us, you know, we're the ones raising property taxes, true, don't blame us, it's the Legislature's fault because they didn't give us enough. And I guarantee you if you appropriate \$20 million, that's 2 percent, 2 percent of the overall dollars that are spent on education. And your school districts go out there with 5 percent increases, 7 percent increases, 10 percent increases, you're not going to get thanked for that 2 percent, you're going to get blamed because you're the big bad state senator down in Lincoln that didn't give enough. You know, this is going to be a cycle that we're going to be on forever and if you just keep adding a few dollars each year, as this particular amendment does, and you don't do some long term solutions, as the Scott Moore's LB 611 is leading us in the direction of doing, you're going to continue to have these problems. The amendment takes the \$18 million and puts that down to a \$1 million increase. With that, I believe this is my opening so

May 17, 1989

LB 84, 525, 611

there should be some time left to give to Senator Bernard-Stevens.

SPEAKER BARRETT: Senator Bernard-Stevens.

SENATOR BERNARD-STEVENS: Approximately how much time, Mr. Speaker?

SPEAKER BARRETT: Approximately three minutes.

SENATOR BERNARD-STEVENS: Thank you. I shouldn't take that much time and I thank Senator Withem for sharing some of his opening on the amendment. I would like to talk briefly about LB 611 and relate that to the Legislature and some of the tremendous things that we are about to partake in and to set in motion. One of the things that the Legislature, I think, painfully has addressed in previous years and particularly it has come to fruition this year was that we need to reduce property taxes and the best way to do that is to attack the way that we fund education. One of the things that we learned from the Syracuse study that I really don't think we learned but it made it a little bit more apparent was that if we transfer some of the burden on education...if we transfer some of that from property tax areas to other areas, that would be one of the best areas...things that we could do. In fact, if you went to the Syracuse report, they went through every county and school districts and they showed the school districts that were in severe stress now, that if we shifted a little bit to income to try to help that, that all of a sudden those districts were not in severe stress any more, they were not in drought any more, the rains came for that district. LB 611 is beginning a long-term solution for sincere, realistic property tax relief. We have got a lot of work to do on LB 611 after it passes. But LB 611 is truly for long-term property tax, a way this Legislature can move and it will move and it will be substantive, good and productive. Senator Withem struck a cord in me as I remember last year when we passed an increase in state aid, and I would like to remind the body what was top on the issue. After we passed an increase to state aid, the top issue of this legislative body was we have to reduce property taxes, we have to reduce property taxes and we have done a tremendous job of doing that in LB 84 and LB 611. Yes, we have, Senator Ashford.

SPEAKER BARRETT: One minute.

SENATOR BERNARD-STEVENS: The other thing I would like to point out is that they did not to any one in my district say, thank you for the increase to state aid, gosh, property taxes went down, because it didn't happen. Our property taxes went up and I suspect in your district the same thing did too. And we increased state aid. So, in summary, I would like to leave with a couple points. Number one, if you want to spend \$36 million over two years that you don't think we have and do not want to seriously do anything on property tax, fine, go with it. If you want to take some responsibility and say, I understand this does not help property tax, I understand we don't have the money, I understand we have to choose, and I understand, senators, that other bills, such as LB 89, will have to stand on their own merits, then support this amendment.

SPEAKER BARRETT: Time.

SENATOR BERNARD-STEVENS: Thank you.

SPEAKER BARRETT: Thank you. Senator Abboud, would you care to discuss the amendment?

SENATOR ABOUD: Mr. President, I would like to give my time to Senator Schmit.

SPEAKER BARRETT: Senator Schmit.

SENATOR SCHMIT: Well, ladies and gentlemen, I hope you all go home and read LB 611 and read it very carefully because, as I read it, the same people are going to pay the tax whether you pay it through income tax or whether you pay it through property tax. Now there's one little difference. If you make the entire State of Nebraska a school district, throw the money into the pot, and then we support schools out of that pot, then my folks out home are going to like, but I don't think Senator Withem is going to like it. I don't think Senator Bernard-Stevens is going to like it. And about that time, Scotty, the support for your bill is going to fade, it's going to go down the road. But that's all right, that's going to...we can argue about that the first few days of the next session when we have a lot of time. I'm going to ask a question and Senator Withem is right, he says schmit says a 100 million is no good but 18 or 20 million is good. My principal point of contention, Senator Withem, is that while we can't afford the 18 million here and LB 84, I don't

people were handing out yesterday having to do with LB 84 and possibly happen to raise their levies and it ultimately ending up with a \$68 increase or net savings on property tax relief? Have you seen those figures?

SENATOR WITHEM: No, I didn't see those figures.

SENATOR MORRISSEY: Okay, well I guess they just gave them to me. But anyway, they are claiming because of a reduction in state aid that my district especially is suffering and then, of course, they're thinking ahead to sunset on nonresident tuition that they're going to be really in a crunch. Do you really feel that's not factual?

SENATOR WITHEM: I think they're going to be in a crunch regardless of...I mean, \$18 million is not going to get them out of any sort of crunch at all. The only thing that will get them out of a crunch is a long-term sort of solution that this body has been working toward all year, frankly, without their input, consideration or seeming to care one way or the other.

SENATOR MORRISSEY: Well I might agree there because I was wondering where the argument, I mentioned it to a senator this morning, where the argument for state aid that, don't take a bite yet, where state aid to education has been all year long in the discussion, but why is LB 84 so vital to LB 611? I really like 611 and I used to like 84 but why is 84 so vital to 611 in this long-term planning?

SENATOR WITHEM: I'm not one of those people that put together the long-term plan. My understanding is that we have extra money this year, that there has been a strong resistance to any major increases in state aid because of the formula and that we're not going to get the formula resolved this year to put \$98 million into a state aid project, it's going to take some time to figure that out, so that's how the two go together. LB 84 is short-term this year, because the surplus is there and we need it for property tax relief. LB 611 LB 312, the School Finance Review Commission, all of those other things are the long-term solution and we're just not ready to go for them and Senator Moore is...I see you're pointing at him and he is probably more appropriately the one to answer that question.

SPEAKER BARRETT: One minute.

May 17, 1989

LB 84, 525, 611

SENATOR MORRISSEY: Yeah, go ahead and eat.

SENATOR WITHEM: I can eat now, thank you.

SENATOR MORRISSEY: Senator Moore, would you respond to a question or two?

SENATOR MOORE: Yes, I'd love to, Senator Morrissey.

SENATOR MORRISSEY: Why is LB 84 so vital to the long-term process we are working on with LB 611 and...

SENATOR MOORE: How is it important to it?

SENATOR MORRISSEY: Yeah, why is it so vital to this, to 611?

SENATOR MOORE: Well, 611 cannot go into action for a year or two. You have a choice of doing nothing in that time period or doing something. I think with the property tax problem that we have, the prudent thing is to do something for the short-term while we work on the long-term.

SENATOR MORRISSEY: Okay, well I've been...was supporting 84 all along, but the question is doing something. Is property tax relief so important that we must do it no matter how small or insignificant?

SENATOR MOORE: In my opinion, and only my opinion, I want to do the most that I prudently can. Now is doing something better than nothing? Only yourself can answer that. In my opinion, yes, it is.

PRESIDENT: Time. Thank you. Senator Wesely, followed by Senator Lamb.

SENATOR WESELY: Question.

PRESIDENT: The question has been called. Do I see five hands? I do, and the question is, shall debate cease? All those in favor vote aye, opposed nay. Record, Mr. Clerk, please.

CLERK: 26 ayes, 1 nay, Mr. President, to cease debate.

PRESIDENT: Senator Bernard-Stevens, for closing on the bracket motion.

May 17, 1989

LB 84, 525, 611

SENATOR BERNARD-STEVENS: Actually, I'm going to...Senator Scofield is, in fact, going to offer another amendment since she is the introducer, one of the co-introducers of 525 and that would have a priority. I'll wait for Senator Scofield to get done. Senator Morrissey, to answer your question on LB 611 and LB 84, to kind of remind the senator of what we have, are a lot of conflicting views on how to solve property tax relief. We have Senator Chizek who has consistently over the years fought for homestead exemptions and admirably so. We've had other senators such as Senator Hall and Senator Lamb who have covered other areas of property tax relief, specifically on rebate, such activities that we have. Then you have another group that are saying, what you need to do in order to really attack property tax, you have to get into the source of the disease of property tax and that's how we finance our schools. And one of the things that we're painfully learning is we have to transfer from the property tax burden and we have to transfer that into another area and that area that would be, that everyone would be able to have some participation would be income or sales. Senator Moore and others have said, I think we'd better go income because it's more progressive and so you combine all of those together into kind of a short-term one year with a long-term type of thing and combine all of those ideas together and that is how they tie together, Senator Morrissey.

PRESIDENT: Senator Scofield. Senator Bernard-Stevens, I didn't understand what you said...

SENATOR BERNARD-STEVENS: That's because I didn't say anything, which is normal when I speak at times. At this time I'll withdraw the bracket motion so we can get to Senator Scofield's bracket motion which would have more priority.

PRESIDENT: Okay, it is withdrawn.

CLERK: Mr. President...

PRESIDENT: Okay, Mr. Clerk.

CLERK: Mr. President, Senator Scofield would move to bracket LB 525 until Friday, May 19.

PRESIDENT: Senator Scofield, please.

all property owners in the state, a fair bill for all taxpayers. I would direct your attention to the handout that was just distributed which I wrote to the World-Herald and it stresses, I would like to stress, that Nebraska ranks 13th in reliance on property tax, 38th in sales tax, and 32nd in income tax. This is an effort to correct that imbalance to reduce property taxes, to have less reliance on property taxes in a meaningful way. Most people say we should reduce property taxes by 200 or 250 million, and I agree. So, in order to have a significant start, we need to start in the area that we're discussing in the present bill, present LB 84. There's a lot of discussion about other heavy issues that are soon to come before this body, but I think we should keep this separate, this is a separate issue. We're talking here not about a spending bill, not about a spending bill, but we're talking about a bill which shifts the tax burden in a manner that I think most Nebraskan's believe the burden should be shifted. There has been much discussion about the permanent solution which may be embodied in the conception of LB 611, LB 611, and as some of the argument in regard to LB 84 has been that LB 84 is not sustainable over time, but let me tell you what LB 611 is going to do. In order to have meaningful property tax in that bill, there are going to have to be increases in sales and income taxes in all probability in order to have the property tax relief that LB 611 envisions. This is a start in that direction. This is a beginning toward that end. It's one that's necessary and this is the opportune time to do it for at least two reasons. One is that the people in the State of Nebraska are crying for property tax relief, and the other is that there are funds available to do it this year. This is the time to do it and let's do it, and I ask you to defeat all the amendments. There are three or four amendments on the bill, all of them designed to do, in varying degrees, what the amendment by Senator Warner does, and that's to chop down the amount of the bill.

SPEAKER BARRETT: One minute.

SENATOR LAMB: I think we should leave the bill where it is. It's been discussed. We've had ample opportunity to amend the bill. It's been on return from Final Reading once before so, at this point, I ask that all these amendments be defeated.

SPEAKER BARRETT: Thank you. Senator Abboud.

SENATOR ABBODD: Mr. President and colleagues, this year we're

May 17, 1989

LB 84, 429, 525, 611, 813, 814

Warner's amendment. Obviously everyone here is familiar with the issue. I think Senator Lamb and Senator Abboud touched on the problem. We all wish that it could be more. We all know this is the temporary addressing of an issue that has been in an issue that we, in this body, and those who are here before us were faced with year after year. If we can't do this this year, colleagues, if not now, when? If not now, when? The revenue is there. We know it's there. I agree with Senator Abboud, this is the people's money and we should return it. I urge you to reject the amendment.

SPEAKER BARRETT: Thank you. While the Legislature is in session and capable of transacting business, I propose to sign and I do sign engrossed Legislative Bill 429. Senator Schmit, further discussion on the motion to return? Thank you. Senator Moore.

SENATOR MOORE: Mr. Speaker and members, I only rise, you know, obviously Senator Warner makes a good point, and in his opinion the way we start balancing the budget is on the back of LB 84. That's his opinion and I simply disagree with it. I said before last week when we talked about some of this stuff, I think if we really need to start cutting back, you know, I'm not saying 98 million dollars is a magic number, I don't think you have to balance the budget on the back of LB 84. That's just simply my opinion. All 49 of us have our own opinion. Though I do think it is rather obvious that some of it you can't vote for everything, and I won't be voting for everything. I will be voting for LB 84 though, because I think it's important and we've said it all night here, LB 84, in many people's opinion and obviously in mine, dovetails into LB 611, my priority bill. I think it's important that we use some of the money we now have to do some stopgap property tax measures hopefully next year we move into a more permanent solution. Now obviously if we were dealing with a bare-bones state budget, 98 million dollars would, indeed, be too much. But with what we've done in LB 813, LB 814, and now LB 525, we pass all that, you're talking about a 15 percent increase in the state budget. We're not going to do all that. Maybe if you were talking a 5 or 6 percent increase in the state budget, and LB 84 at this level, then you'd be truly stealing from the needs of state government and the continuation of that government, but we're not. We're simply not. I will...I have and will continue to concur with Senator Warner's numbers and desires of where we should be in the finality of how much we spend. Obviously Senator Warner and I

disagree on some priorities there and that's the way it goes. And as he's been here a lot longer than I have been he may well be right, but for the time people I am committed to do something on the short-term for property taxes after we've debated this a long time and 98 million dollars seems like a level that we can all agree it. It was my goal to get the most I could for property taxes this year. I think it's important that if I thought LB 84 was a permanent solution to this problem I sure wouldn't be voting for it. It's the temporary solution and, light of LB 361, I think it's a very important solution that we do something across the state to try and decrease property taxes, and obviously it's my goal to work with LB 611 and make it work and then eventually some time in the nineties come up with a permanent bill that solves our property tax dilemma for the long term. The first step is LB 84 and the first step to the passage of LB 84 is defeating Senator Warner and Senator Wehrbein's amendment.

SPEAKER BARRETT: Thank you. Senator Hall, followed by Senator Rod Johnson. Senator Hall.

SENATOR HALL: Thank you, Mr. President and members. I'll make it four for four and I will join the rest of the co-sponsors in opposing Senator Warner's amendment. It is, I think, brought in good faith as an option, as a choice that we have the ability to make here. LB 84, I have the motion filed that would, after the amendments are done, would suspend the rules so that it could be read tonight, and I think...I hope the body does that because I think we have all, at one time or another, made LB 84 or whatever bill that contained a property tax relief measure our highest priority, our first and foremost issue that we felt needed to be dealt with this year on the floor of the Legislature. We've talked about it, talked about it, and for one reason or another, good, bad or indifferent, have not been able to come to terms on how we were going to address that. LB 84 allows us to take that first step toward the issue of restructuring how we pay for education at the local level. Call it property tax relief. Call it state aid. Call it what you like, but it sends us down the road of reducing the reliance on property tax. And the impact and the implications and the ramifications that it has with regard to what happens down the road I think are many, are great, and are good for the State of Nebraska because until we address the issue of the over-reliance on property taxes for the funding of the local government, we will continue to have property tax relief problems. LB 84 does

not correct those. It is not some magic elixir that is a cure-all for that problem, but it is a two aspirin solution for a two aspirin headache. It does correct that situation this year. It does not correct it in the long run, but I think that it sends the message and it sends the dollars that back that message up that we need to address this issue of property tax and our over-reliance on it. That's my reason for supporting the bill. There have been a number of bills that have been in. This has emerged as the one that the body has adopted. It's not Senator Lamb's, it's not Senator Moore's, it's not Senator Chizek's, and it clearly is not my idea, but it is the body's and it is the Legislature's proposal and one that the Governor has embraced that we can jointly give to the people of the state that lets them see that we are working on the problem of over-reliance on property taxes for funding of local governments. And it's going to take a lot more than LB 611 to cure that problem. It's going to take a lot of hard work on the part of this body, the Executive Branch, the local branches of government to correct that situation in the long run. This does not solve the problem. This helps and we must do this and I think we need to do it now. We need to make this our first and our foremost priority. We need to suspend the rules when that motion comes up, and we need to address the situation tonight. We need to take it off the table. We need to tell the people of the state that this is our offering, if you will, to them that we are going to address that problem. It's going to be a long, difficult procedure. It won't happen overnight, but it is the first step to that end. If we choose to adopt Senator Warner's amendment, we, I think, send a very mixed message that we're looking at it again but we're only looking at it halfheartedly.

SPEAKER BARRETT: One minute.

SENATOR HALL: I appreciate the choice that he offers to us, but I would urge the body to reject that and to send a clear message to the people through LB 84 as it sits on Final Reading that we have just begun to address that issue of the over-reliance on property taxes and that we are taking that first step through the passage of LB 84, which I hope takes place tonight. I would urge you to reject Senator Warner's amendment to the bill.

SPEAKER BARRETT: Thank you, Senator Rod Johnson.

SENATOR R. JOHNSON: Like to call the question.

May 18, 1989

LB 84, 89, 611

CLERK: (Roll call vote taken. See page 2543 of the Legislative Journal.) 18 ayes, 24 nays, Mr. President.

SPEAKER BARRETT: Motion fails.

CLERK: Mr. President, the next motion I have is by Senator McFarland, but I had a note that he wished to withdraw his motion, Mr. President.

SPEAKER BARRETT: It is withdrawn.

CLERK: Mr. President, the next motion I have is by Senator Moore. Senator, this is your amendment found on page 2269.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Yes, Mr. Speaker and members, this amendment is the same amendment Senator Haberman offered on Select File that would sunset LB 89 after a two-year period. If you remember the debate that day, we don't need to spend a whole lot of time, but I want to reinforce the importance of this amendment. Now, yesterday, both during our dialogue on state aid to education and on LB 84, a great deal was...a great deal of attention was given to LB 611 and how it dovetailed into LB 84 and this body's hope to do something permanent for our property tax problem in the State of Nebraska. Obviously, the hammer or the anvil, whatever you choose to describe it, in LB 611 that makes it much of a bill is the portion that sunsets state aid to education in two years, thereby forcing the Legislature to do something next year. Now the problem is if you do not tie LB 89 into that, you are basically, right off the bat, striking a very fatal blow to the chances of actually doing anything, because you've removed a large and important segment of the whole arena and the whole subject, we'll have no desire to do anything other than just simply increase the line-item in LB 89. And I don't think, even though I understand why they wouldn't want to do that, I think it's important that this \$20 million is included in the pool that we're going to restructure in the overall sense of state aid to education, and hopefully find out a restructuring that will permanently lower property taxes by, at least in my hope, broadening the local tax base and allowing us to do something. But if you take LB 89 off the table and throw it in with the other categorical aid, like special education, this 20 million right now I think you really, I think you really have almost,

not a near fatal blow, but a very significant blow and you're basically saying, no, we're not going to do that much. We're not willing to do it because teachers, they're going to sit there and fight for their increase, their chunk. When you do that, it's just like every time we give an exemption on property taxes now or income taxes now or sales tax now, if you divorce that segment out of it, you're asking for problems. I think it's the only...it just simply makes sense, as Senator Warner said when he offered his amendment to LB 611, I think LB 89 should be treated as state aid to education, for if you don't, I'm afraid that the body is already beginning to renege on its hope that it's going to do something next year for property tax. I think it's very, very important. I know there are many people that don't want amendments adopted to this bill, but I think this one is important enough that we should do it. With that, I simply ask for its adoption.

SPEAKER BARRETT: Thank you. Discussion, Senator Withem, followed by Senator Ashford.

SENATOR WITHEM: Yes. I would oppose the Moore amendment, although I think when Senator Haberman offered this on Select File I indicated it did have a sense of appeal to it. I think in many ways when we're looking at school finance in a global arena, looking at all the different factors that go into it, we are going to be sunsetting this program, if not by this amendment, it will happen anyway in sense of what a sunset is all about, and that is an assurance that a program receives a thorough review a couple of years down the road, that it does just not automatically continue. We're going to be looking at all different aspects of school finance, we have already. We're going to be looking at things like what needs to be in categorical aid, what doesn't, all of those things. It will happen anyway, I think, without the Moore amendment. Secondly, I guess I would point out to the body Senator Moore would lead you to believe, or you might choose to believe, he would never purposely lead you to believe anything that wasn't 100 percent accurate, but you may misinterpret some of the things he's saying when he talks about what we're doing in 611. LB 611, we are sunsetting a portion of the state dollars that go to support public education in our state. We are sunsetting \$133 million worth of expenditures. There are many other things that are not being sunsetted in 611. We are not sunsetting special education, for instance, it will continue on at its current level. We are not sunsetting, in LB 611, I don't think anyway,

SENATOR WARNER: Mr. President, members of the Legislature, I'd rise to support the amendment, and I say that on the basis that I intend to support the bill. I also voted to return on the motion previously, because I had made a commitment, mine was a little bit different. I also was willing to add the money, however, to pay for it, not to take it out. And I would have, had the bill been returned for that previous amendment, would have not supported it, unless I felt comfortable that the additional costs would have been put into the bill. But this one we talked on the other day when we tried to take the sunset out of LB 611. What you have is one state aid formula left. Now I can appreciate a great deal the rationale that Senator Withem just announced, that to return the bill for something perhaps subjects it to something else, I understand that. But I think there is an overriding issue, because if you have one formula abolished, as was done in LB 611, which I think is wrong, but if you have one, and that was supposed to be a threat, you better do them all, or else we should return LB 611 and get the foundation and equalization repealer out of that. Actually, I don't care which way you go, but you can't logically do one and not the other. They ought to be treated the same because they both are substantive distribution formulas that can be used irregardless of the amount of money that is available. And I think it makes sense in the long run if the theory is, as I heard it expressed on the floor on 611, that you are going to create a problem in order to solve an issue, which will backfire nine times out of ten, or maybe 99 out of 100. But if that is the theory then you better not have an escape clause for everybody to run to. It's just that simple. Either you make it tough, or you have nothing on the theory that you're going to create a crisis to solve a problem. So I think the amendment is right, that the two are treated the same. That's the only issue with me. I intend to vote for the bill, irregardless of whether it's adopted or not. But those of you who think you are creating a crisis with the repealer in 611 are not creating a crisis at all, you're just putting all the emphasis on one distribution formula, which I may like, I don't know. I may like all the money distributed that way. I indicated that last time we had it up in terms of my district. But the theory of crisis to solve a problem, unless you have all distribution formulas on the same level, that theory, in fact, does not exist. I would hope that this amendment could be considered notwithstanding the jeopardy that some may feel exist to having a bill amended in any fashion.

SPEAKER BARRETT: Senator Nelson.

SENATOR NELSON: Mr. Speaker, members of the body, I'm going to support Senator Moore's amendment. I think as most of you know I still have an amendment coming down the line that would put LB 89 in state aid to education, and I'll speak on that more when the time comes. Senator Withem mentioned that, boy, we've got to hurry up and get off of this bill, we have so many big issues coming up. This is an important bill, and it's important to a lot of us. I can recall in this body just in the last few days any number of times if someone doesn't like a vote we vote to reconsider, and we just go on and on and on. So, I think a few more minutes on this bill to get it in the shape that we would like to see. Back, another thing, when it come to... I think a few names were mentioned, Phase I of the bill taken out. The bill was so poorly drafted and put together in the first place that that \$18,000, anyone that doesn't make 18,000 I'm going to ask my taxpayers and I'm going to ask the other state taxpayers to just automatically reach out and dip in the bucket and compensate those districts down to 12 and 14,000 dollars a year. That was the reason that we four senators could point out another fallacy of the bill, just like the one is you give me 150 million and I'll turn around and give you back 50 million, and I cut your property tax. People are wiser than that. But that was the reason that that was taken out. And to me to comfortably support the bill, this bill should be state aid to education. And I'll offer my amendment, but I have some great reservations. We're trying to change a system, we're trying to do something new. And we have Scotty's bill coming up a little bit later. I'm going to support Scotty's amendment at this time, and I'll offer my amendment in a few minutes.

SPEAKER BARRETT: Senator Langford, please. Question has been called. Do I see five hands? I do. Shall debate cease? All in favor vote aye, opposed nay. Record.

CLERK: 28 ayes, 0 nays to cease debate, Mr. President.

SPEAKER BARRETT: Debate ceases. Senator Moore for closing.

SENATOR MOORE: Mr. Speaker and members, I hope you will listen just briefly so you make sure exactly that you know the consequences of what you're voting on. You know Senator Warner makes a good point, as he always does. I think he makes a very good point in regard to LB 611, regardless of the wisdom of

now. If LB 611 comes and we use...and this body and the other lobbies throughout the state wish to use 89 as a vehicle to use for distribution of state aid, that will happen anyway whether we put a sunset or not because the idea is out there and you don't destroy an idea by simply putting a sunset on it. I think Senator Withem said an important point in the beginning is that really on most legislative bills on appropriation matters dealing with money that we have and in this deal we're dealing with money is that there isn't a sunset technically because every year it is going to have to come back, excuse me, every two years it's going to have to come back and fight for more funding like everything else and this body will have to look at it in two years and see if we're going to keep this same amount of funding, to go with more funding, or to reduce the funding. We'll have to do that. It is the same thing as what is going to happen on Senator Moore's, because if we have a sunset, we'll come back at the end of the time period and we'll have to decide, are we going to take away the sunset, are we going to take away the sunset, put more money in, are we going to delete the program? Nothing changes with the addition of this amendment. The psychology doesn't change, the mood doesn't change, the effect on LB 611 doesn't change because the idea is still there and, Senator Moore, as Plato and Aristotle taught us a long time ago, an idea is there and you can't take it away by saying we're just not going to do it anymore, the idea will always be there. And the sad thing maybe is the body is aware of the idea now, and once you become aware of that, you cannot stop it. So the idea will always be there, Senator Moore, sunset or no sunset. So I would ask that the body not put the sunset on simply because there is no need for it at this particular point. Thank you. By the way, is there any time left?

SPEAKER BARRETT: One and a half minutes.

SENATOR BERNARD-STEVENS: I'd like that on the record, please.

SPEAKER BARRETT: Senator Warner.

SENATOR WARNER: Mr. President, I would like to speak one more time. Senator Withem made a comment that actually was a rather fundamental state aid issue, it's one I've thought about a great deal over the past few years, and that is general aid versus categorical aid. As we have heard discussions the last few days on state aid, there have been some...probably not too accurate

or certainly not very kind comments on how general state aid just kind of gets unidentified. Well, the state, if it wants to provide aid, there are...I can subscribe to the concept, I haven't really bought it yet, but I can subscribe to the concept that you direct where the state money goes. As I indicated a long time ago on this bill on General File, the precedent is there. Up until 1903 that is exactly what we had in the way of state aid, it was a two mill levy that went to local school districts to pay teacher salaries, it was categorical aid. Here is the concept to return to categorical aid. As I understand the bill, and I may be in error but I don't think so, any amount of money can be distributed under the formula. We've set \$20 million, but you could...or at least that appears to be the level. But as the bill is drafted I think you can distribute whatever amount that one would want to distribute. I believe the bill is going to pass, with or without this amendment. I don't think the bill is jeopardized. My support for it is not jeopardized. But I do believe it's much better policy. And I can guarantee you, if we do not put a sunset on this one, then I hope we can find the support to take the sunset on foundation and equalization out of LB 611, if there is time, because that...there is a need, if the theory is you are creating a crisis, there is a need to treat them both the same. It's just that simple. Finally, I would suggest this, there was some reference I believe on the previous amendment of who got what and who lost what. Well, folks, I'll tell you where the money goes is where the votes go. And if distributing 153 million will benefit 25 districts better than under this, LB 89, than they do with LB ...or with the current state aid formula, don't count on the sunset on foundation-equalization going away, it won't very often happen. We argue equity, and we argue what is fair. Well, when it comes to aid distribution we tend to come down on the side...which distribution formula is most beneficial to the area we represent in total, that's just simply how it works. It's worked that way since 1967, and I'm sure it will work for the next 22 years in the same fashion. So I would just suggest that to adopt this amendment conceivably could hurt the bill, I suspect that's possible, but I don't think...I think the votes are there, I've thought so for at least the last three or four weeks, and I've seen nothing to change my mind. I think it will be signed, I don't think it's a veto...a vetoed bill, or will be a vetoed bill. So I would urge for consistency to adopt the amendment...

SPEAKER BARRETT: One minute.

May 18, 1989

LB 89, 611

SENATOR WARNER: ...or else, if you do not, I hope you are willing to do the amendment to 611 to strike the sunset there. In a couple of years, you may well wish that that was the policy choice that we had made.

SPEAKER BARRETT: Thank you. Senator Langford, you are up to bat.

SENATOR LANGFORD: Call the question.

SPEAKER BARRETT: Five hands? I see them. Shall debate cease? Those in favor vote aye, opposed nay. Please record.

CLERK: 27 ayes, 0 nays, Mr. President, to cease debate.

SPEAKER BARRETT: Debate ceases. Senator Moore, for closing.

SENATOR MOORE: I'd like to give my first minute to Senator Hannibal, then I would use the remainder of the time.

SPEAKER BARRETT: Senator Hannibal.

SENATOR HANNIBAL: Thank you, Senator Moore and Mr. Speaker. I have not spoken to date on this bill. I would like to take just this brief moment to suggest that while there were many of you who voted to return the bill for a variety of different reasons, I wanted it to be said that I returned because I believe in the amendment. I would like to see the amendment adopted. I fully intend to support moving the bill back to Final Reading and passing the bill on Final Reading, I would urge you to do the same.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Yes, Mr. Speaker and members, I'm getting a little nervous. You look at LB 611, that bill moved from General File on a vote of 36 to 1. I believe Senator Warner was the no vote then. Moved on Select File on a voice vote. Now, Senator Warner's words of wisdom on General File on that bill basically was, watch it. I've had more than one concern on my own of that bill being a giant trap that I'm walking straight into. When I see the votes against this motion here, I'm even more concerned about that, I really am, because it's very obvious that some people would love to direct the money that

SENATOR NELSON: Mr. Speaker, members of the body, my amendment, as I said yesterday, and there was some money adopted in LB 525, I'm not so sure whether that is going to carry through yet or not. My concern was the same as Senator Kristensen and any number of you here, that we are not giving anything to state aid. And, as you know, it went up a little bit from 1982, and then was cut, and back to this point. We've given money to cities, we've given money to counties, any number of other items. I'm not out here to kill the teachers or to kill LB 89. But I certainly feel that this should...and I've said this all along, I have said for several weeks or months about the figure that I was comfortable in supporting LB 89, and that is about where we're at right now. But I do feel, and in the discussion we have no business coming in, starting new programs, making new...well, new budget items and moving away when we do have LB 611. We are trying to restructure state aid to education. My amendment is a very simple thing. I don't think I need to spend an awfully lot of time on it. But it is simply that to strike LB 89 and put the provisions, the \$20 million back into state aid under our current formula, it would give the school districts and the school boards their local control and their say on how they should want to use this money. I was somewhat chastised, I believe, yesterday, maybe for using the wrong figures. I guess it's always the set of figures that you want to pull out of the air to make your point. I think Senator Lynch used 41.8 percent for teacher salaries, I guess it depends on which part of the teacher, the classroom. We all know that this is not...there are salaries that will be considered for special ed, education for libraries, so on and so forth, many, many other parts of the classroom. Also, what we will be coming up with is the principals, the classroom teacher will be over and above the principal in some cases. That will be something else that we will be facing. Any time that you raise one group, all of your salaries will go up in your school system. Where does that leave our school board and where does that leave the funding for our school systems? My amendment, as I said, would just put it back into state aid to education under the system that we currently have now and from...the teachers and the classroom teachers and the teachers and the salaries are good, about 80 percent. My school district's budget, to prove my point, back in 1987 and '88, in the general instruction costs, and this is not building programs and so on, 87 percent of the salary was...of the cost was salaries, 7 percent supplies and so on, and 7 percent for utilities and exclude the building costs. So a good share of the increase in LB 89 would still go to the

SENATOR WITHEM: Yeah, I would assume that you wouldn't be able to, Senator Hefner. Normally, I wouldn't do this, I'd let it go, but this is the third time you have stood on the floor on this particular issue pretending to be the champion of state aid to education, challenging my credentials as not caring about the schools, not caring about state aid, not caring about the way we finance schools when anybody that has been here has known that has been a chief concern of mine that I've worked for throughout the years. Just would like to point out to the body May 11, 1987, attempt to override Governor's veto on state aid, Senator Hefner voting no. May 29, 1987, another attempt to override the Governor's veto on state aid, Senator Hefner voting no. May 29, 1987, I guess that might have been just the one I got through with. April 9, 1984, \$40 million state aid to education bill, passed over to the Governor, Senator Hefner voting no, Senator Withem voting yes on all those, by the way. April 18, 1980, before I got here, override to the Governor's veto, state aid to education, Senator Hefner voting no. So if we're talking about switching positions on here, I think the body needs to know that Senator Hefner has not been as consistent as he may like to be. We are doing some things in the area of school finance this year, some very important things in the area of school finance. We are passing LB 611, we are passing LB 84, we are working toward a long-term solution of the school finance problem. That is why I felt comfortable having no specific dollars appropriated to the old state aid to education formula this year because we are spending our energies getting to a lasting solution. Twenty million dollars will not bring about a lasting solution. Obviously, \$9 million won't. As a means of resolving the issue today though, I think the \$9 million bill is an appropriate sum of money and I will be supporting it.

SPEAKER BARRETT: Thank you. Senator Bernard-Stevens.

SENATOR BERNARD-STEVENS: Thank you, Mr. Speaker, members of the body, I'm glad we got that cleared up and I hope maybe the rest of us can decide who is more in favor of state aid to education than the other because I think that is an important issue. But, beyond that, I really have to rise up and oppose the amendment. I guess I get nervous when Senator Lamb and Senator Withem get together on an amendment on the education, particularly on funding. I get very nervous at that particular point as to what has happened here. I guess it is probably beyond my depth of understanding. And I understand that the Chairman of Education

probably feels a need to do something in regard to state aid to education because of his long-standing commitment to state aid to education and understanding also that probably no matter what we put in the bill that it would be vetoed, and I understand that. But what I think the body needs to do is to rise a little bit above that if we can and basically ask the questions that need to be asked. Number one, whether it is 9, 18 or 36 over a two-year period, where is the money going to come from? Last night two things were asked. There was an amendment in LB 84 to take money out of 84 to finance school aid to education and the body said, no, we're not going to take the money out of there. Then we had LB 89 last night and Senator Nelson had an amendment that was good for discussion, we'll take that and turn it into state aid to education and the body said, no. And during the discussion of both those areas, the body indicated that they understood that even \$18 million over a two-year period, making 36, would not do anything to significantly change education in the State of Nebraska. In fact, we've been told by the same school lobby that it will take at least \$50 million of state aid to education just to stay even each year on property taxes, \$50 million each year just to stay even on property taxes. Nine million dollars, though a good gesture, does nothing. We need to look at state aid to education, we need to come up with good policy for state aid to education, we need to look at LB 611 and see where we're going on the refinancing of the school, but for the administrative body of schools to come to this Legislature, two days ago basically, and say, oh, by the way, we know you've probably overspent by 20 or so more million dollars, don't bother, don't worry about that, just go ahead and spend another 36 million over two years and don't worry about that, it's all for kids, to me, it gets a little ridiculous. I would love to support state aid to education. I painfully talked to my school administrators this morning and interestingly enough when they found out that the lobby for their organization did nothing to approach the Appropriations Committee in great strength or effort, they did nothing to promote any bill in the body, all they did was two days ago decided that they want to have something. When they understood what actually happened, all of a sudden they said, I didn't realize that other side of the story. I guess we've got some problems within our organization, don't we? And I said, I think we do. Members of the body, the other thing to think about that hasn't been talked about and I just kind of made a quick list to myself, if you go ahead and pass 18, if you go ahead and pass 9 million, I think what you want to ask yourself is, if the Governor would pass it and many

supporting the bill, LB 525, conceptually, was an either/or, neither/nor, or perhaps I should say "ither"/or or "nither"/nor bill in which would provide the Legislature options and when you're looking for options they have to match. Nine million is a very good number. It matches LB 83, that is \$9 million. And if we can trade, that's in two years as opposed to one, so it's not quite a match but it's better than 18. Plus, this ends in two years, theoretically, and, of course, LB 683 goes on for a long time, 20 years, as I recall. So it would seem to me that it would be very appropriate to adopt this amendment to give the Legislature an either/or choice, to give the Governor an either/or choice. They are both aid programs. It's not difficult for me to opt to have that aid going for schools, if I have to choose between two, and so I think this is an excellent amendment and I would hope the body would support it.

SPEAKER BARRETT: Senator Moore.

SENATOR MOORE: Mr. Speaker and members, after following Senator Warner's speech, I'm listening to him and I understand his certain amount of chiding over the evaporation of these funds after a couple of years. I know that he has some concerns about the wisdom of LB 611 sunseting in '89 and who knows, given the tenacity of this Legislature to make some tough decisions, he's probably going to be right and it's just one more example of them. Now I don't enjoy, as nobody does, to oppose state aid to education and I'm really not. I remember back in January, back in February, I introduced an amendment to LB 89 for \$20 million in state aid, to make it that, and it was defeated soundly. As I said then, there were people doing cartwheels down the aisles if we'd introduce that \$20 million in state aid the year before. I think some people need to remember this great compromise costs \$18 million. Well, for those members of the body, I wasn't here as a member, but I was here as a staff person, go back four years ago to the Memorial Day massacre. How much money did we cut? About \$18 million. Remember how painful that was? Remember how painful that \$18 million was coming out? A lot easier to just lob it on, but sometimes you have to take it out, it's going to be a lot tougher. You know, it's like we're all a bunch of little kids or a bunch of high schoolers at the Junior-Senior prom and there is no way we can say no to anybody. Can't say no to anybody and it's not fun doing it and we've got ourselves in such a position that we've simply said no to no one. Like I said the other night, we're spending money like drunken sailors. We believe the Michelob Light ads, you can

what this is going to do, it's going to compliment something that we did very historic here the other night and that was to start the property tax relief plans. This will fit very well into it. It's not going to make it tremendously more relief for property taxpayers, but it's going to go back to schools that desperately need some help and it's going to go back to these schools that have really been trying to operate and do the things that they need to do without an increase in their state aid since 1982 and this is the appropriate time. We wish we could put more money. In fact, we had more money in here, but now is the time when the Legislature is going to have to start to make some of these decisions on how much we're going to cut back. Last night Senator Moore looked at teachers and put some sunset provisions in, something he probably didn't want to do, but did do, and the body went along and did those things. This is another one of those efforts here. We'd like to put more in but we shouldn't or can't. And, at this point, it's not much more needs to be said in terms of where the money is going to go, where it's going to come from, but I guess I resent a little bit some of the scare tactics that your individual bills may be in jeopardy. Every bill that we have in here is in jeopardy and we all know that. But this is the right thing to do at the time and the compromise, I believe, is one that the body should accept and be fairly satisfied with, that it is one that is going to be adopted and I believe that the Governor will have to look at this and weigh it. It shouldn't put anything else in jeopardy which should be up there for discussion and certainly should be one of our choices that we're going to have to make, and today is not the last day for choices, but it's getting real close. And I'd like to yield the rest of my closing to Senator Withem.

SPEAKER BARRETT: Senator Withem, three minutes.

SENATOR WITHEM: Yes, just rise to ask you to support the Kristensen-Withem amendment. We all would like to do more in the area of school finance, and we're going to. I think that when we get back and step back away from this session by a couple of weeks and look back at some of the things that have been put into place, assuming we pass LB 611, and some of the other things we've done, we are going to be making some major changes in the way we finance schools. It was at the beginning of the session, a strong desire of mine...Senator Hefner is probably somewhat right and Senator Bernard-Stevens, I really have been all over on this issue because part of it is I've

SENATOR HEFNER: Mr. President and members of the body, thank you. Thank you for giving me a little time. I did have an amendment up there delaying it for another year but I withdrew that. But I think we need to consider something here tonight at this late hour. LB 183 is a major policy change and here we have had it only a few months to discuss and it sounds good and I think it may work. But I'm not ready to rush into it because I don't see any reason to hurry. If it's so good, what's the rush? What's the rush? Here we're discussing more state aid to schools, which I supported. I didn't support the last amendment, 9 million, but I'm going to support some state aid. We're also talking about teacher salary. We're also talking about reorganization. Where is all this going to fit in? It's been mentioned on this floor that this is an opportunity for Nebraska to take the lead. Well, why do we want to take the lead on this when we have a couple other states that are trying it? I have some friends in Minnesota, they're worried about it. They're worried about it because they live in the rural area. They live in southwest Minnesota which is real closely to what we have in Nebraska and they don't know how it's going to affect them. Iowa just passed a bill this last year and I feel that they rushed into it too. I am very concerned how it's going to affect our rural districts and it may work in the urban areas. I don't know but I think you urban senators should be concerned about it too. But here we are talking about all these changes. We're talking about the changes of how we want to support school. Senator Moore has a bill, LB 611, that is going to change a lot of things. How is this going to work in with 183? And I just...this is why I want to just talk a little bit about this to you tonight. And so this isn't all one-sided, I will yield the rest of my time, if there is some time, to Senator Dennis Baack, if he cares to use it.

SPEAKER BARRETT: Senator Baack.

SENATOR BAACK: How much time do I have, Mr. Speaker?

SPEAKER BARRETT: About three and a half minutes.

SENATOR BAACK: Okay. I also have a bracket motion up there just in case I need a little longer than that because I do feel like I do need to respond. I will...I will be as brief as possible but I feel like I do need to respond to these...to the other statements that have been made. I think one of the...one of the main things that we need to think about with this bill is

May 22, 1989

LB 336, 438, 438A, 444, 449, 449A, 541
569, 569A, 574, 574A, 575, 575A, 603
603A, 611

those in favor vote aye, opposed nay. Have you all voted?
Record, please.

CLERK: (Record vote read. See page 2643 of the Legislative Journal.) 45 ayes, 1 nay, 1 present and not voting, 2 excused and not voting, Mr. President.

PRESIDENT: LB 603 passes. While the Legislature is in session and capable of transacting business, I propose to sign and do sign LB 336, LB 438, LB 438A, LB 444, LB 449, LB 449A, LB 541, LB 569, LB 569A, LB 574, LB 574A, LB 575 and LB 575A. LB 603A, please.

CLERK: (Read LB 603A on Final Reading.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 603A pass with the emergency clause attached? All those in favor vote aye, opposed nay. Have you all voted? Record, Mr. Clerk, please.

CLERK: (Record vote read. See pages 2644-45 of the Legislative Journal.) 42 ayes, 1 nay, 3 present and not voting, 3 excused and not voting, Mr. President.

PRESIDENT: LB 603A passes. LB 611, please.

CLERK: Mr. President, Senator Abboud would move to bracket LB 611 until January 3, 1990.

PRESIDENT: Senator Abboud, please.

SENATOR ABOUD: Yes, Mr. President, colleagues, LB 611 is a bill that's been moving along through the process with little fanfare or some fanfare but not a lot of debate. The bill itself has been whittled down to...or at least certain portions have been whittled out and other portions have been left in. But there has been left with some confusion as to what this bill will provide for. It's my understanding that there is no immediate local option for income tax for the local school districts. What it provides for is a state identification to be able to implement a program like that in the future. And, most importantly, it takes away all local state aid options dealing with state aid to education which is a considerable amount of money for local school districts to put our feet to the fire. Now when this session started out I thought that Senator Moore

had some good points when he talked about dealing with property tax relief. In the past, the Legislature had not provided to what some people felt had not provided significant amounts of property tax relief to our local home owners. But, unfortunately for Senator Moore, and other supporters of this bill is that they have been incredibly successful this year in providing property tax relief. Senator Moore has provided us with legislation that provided with a substantial homestead exemption, \$98 million, along with Senator Hall, Senator Lamb and a number of others. I was a co-sponsor under the bill too. So there were a number of people that were involved. But, more importantly, it has shown that the Legislature has been responsive on this property tax issue by providing this large an amount and in addition we're providing an increase of state aid of at least \$9 million this year. So success has made this bill less needed, less significant. And, with that, it seems that it's at least worth discussing. I don't want my...when I go back to my district I don't want to feel the...field a great deal of telephone calls from constituents asking me about this local option. I am very nervous about providing some of our tax base that the state relies upon to a local subdivision and that is particularly my concern. The cities have a certain amount of our tax base with sales tax and, as a result, in addition to the sales tax and local user fees and minor fees that are involved in running day to day operations of the city, their property tax base is about half of their budget so they have been able to substantially reduce it. But what has been the cost to the state? It's given us less parameters in establishing our own revenue and that is my concern. My concern is that in this particular proposal there are no specific numbers and if we don't have specifics, it's difficult to say, let's pass intent language. If this bill provided exclusively that half of our income tax base would be given to local school districts, well, the body would obviously be upset, but, unfortunately, it does not provide specifics and that's why the bracket motion has been put up for consideration of this particular measure. I'm not saying that it is not a worthy measure and worth consideration but because of our success this year in providing property tax relief is it needed this soon?

PRESIDENT: Thank you. Senator Moore, please, followed by Senator Hall and Senator Withem.

SENATOR MOORE: Yes, Mr. Speaker and members, as often happens sometimes on Final Reading, these people are actually reading

the bills. I think Senator Abboud actually read the bill this morning and had some questions, some very legitimate questions and I'm glad he gives me the opportunity to answer them. The first thing that...and something has been erroneously reported in the press so it's obvious why Senator Abboud has the misconception what this bill does. There's nothing about a local option income tax in this whatsoever. That was never in the original bill, never has been. You know, 10 years ago Senator Burrows had a local option income tax that time. I think Senator Bernard-Stevens actually introduced a bill with a local option income tax this year too but 611 has nothing to do with that. Quite simply, what 611 does, it does three things. First and foremost is it increases some reporting requirements in the Department of Revenue so we have more accurate data on income per school district. That's the first thing that it does and that's basically what the A bill on this bill pays for because there is a variety of tax forms right now that do not have the correct information on there and by stiffening up the reporting requirements, saying that you have to, for a complete form, you have to have the school district ID number on there, that will take a little bit of administration. So that's why the A bill...that's what costs money in this bill. The second thing that it does, I think it received much fanfare throughout the session, is that it sunsets state aid in the form of foundation and equalization aid in 1991 to basically give us a two-year window to do something with the whole issue. And the intent language that Senator Abboud referred to, found on the first page, is just that, intent language, call it a resolution or call it what you want to but basically it says that, you know, it's our hope to develop a plan like this. Now Senator Abboud talked about his concern over not having numbers in that intent language and we have...we have...my original bill talked about a \$350 million shift in property taxes, talked about a 35 percent increase in income taxes. That was the original bill. Just to...so just to kind of give you an idea if you really wanted to lower property taxes, what the price tag may be. Now the intent language is very simple. By the time that the state aid sunsets, this Legislature is going to attempt, and attempt is the key word, attempt to come up with a plan to restructure the tax system in the State of Nebraska by sharing a portion of our income tax base with local school districts. And the key, and if you look on the bottom part of page 1 and the beginning of page 2, it is further the intent of the Legislature to assure property tax relief and tax equity by establishing limits on school district budget growth. I mean, that's the key

to try and...obviously, if you're going to shift things, you can't just allow school districts to consume more money and that's why that intent language is in there. I know it's...this whole issue and this whole measure is an ongoing process that is indeed very confusing but basically what it boils down to, it says that the Legislature, you know, a few years ago said when things get bad enough we'll deal with property taxes and then in the late seventies or early eighties we had a mandatory budget growth limitation which was probably the right problem, wrong solution. After that, to deal with property taxes we waited with bated breath for the Syracuse study. Once that came in, we did absolutely nothing. What 611 attempts to do is saying not only are we serious about really doing something this time, we're going to give us a deadline to give this a hammer for us to do something. And, as Senator Abboud mentioned on LB 84, LB 84 is, in my opinion, and I say this is only my opinion, is a stopgap measure while working with the concept contained in LB 611, and to show the state and really show the nation, and I say that with sincerity because my staff has attended an NCSL Conference in Atlanta over the weekend, gave a presentation on this concept and had requests from like 15 states that wanted to know what we were doing. Down that...down at that national conference, what they were looking at is the Kansas plan down there as well and so, once again, we're a step out of the shoot and looking at something on this local...sharing our state income tax base with local school districts. It is my hope, and I think we may prove as we move ahead, we may be on the cutting edge, once again, with it as we plan to do. There are a variety of questions on this bill.

PRESIDENT: One minute.

SENATOR MOORE: I have tried to answer them. If the body has any further answers or any further questions, like Senator Schmit said, if you have any further answers...any further questions, I would love to answer them and so we could move ahead with LB 611, which is really a major piece of legislation in what it's saying we're going to do. But LB 611 in itself does little in sunset foundation and equalization aid and gives us a hammer to move ahead on this all-important issue.

PRESIDENT: Thank you. Senator Hall, you're next, but may I introduce some guests in the north balcony who are guests of Senator Lindsay? We have 35 fourth grade students from the Field Club School in Omaha and their teacher. Would you folks

please stand and be recognized by the Legislature? Thank you for visiting us today. Senator Hall, please, followed by Senator Withem.

SENATOR HALL: Thank you, Mr. President and members. I rise to oppose Senator Abboud's bracket motion. I think Senator Moore very clearly spelled out the issues surrounding LB 611, the attempt that it makes to achieve, hopefully, long lasting property tax relief by providing us with more information, the sunset provision with regard to foundation and equalization, and to work with the School Finance Reorganization Committee that basically has come up with the opinion that we need to look in this direction. And it does nothing more than that outside of the issue of the provision with regard to school district on your income tax and that being an unfinished form if that's not complied with. So I don't want to elaborate on the issue. It's, I think, very simple and it's a vote, up or down, but to bracket the bill is not a good measure at this point. We need to move on, move forward in this area, so that we are able to come to some final resolution at some point with regard to this issue of the over-reliance on property tax at the local level. I would urge you to oppose Senator Abboud's bracket motion. Thank you, Mr. President.

PRESIDENT: Thank you. Senator Withem, please, followed by Senator Schmit.

SENATOR WITHEM: Yes, Mr. President, members of the body, I am in opposition to the Abboud motion and in support of LB 611. Senator Abboud made an interesting point in saying that the beginning of the session there may have been a need for an LB 611 because we weren't doing much in property taxes, but now that we have passed LB 84 we've done all that needs to be done in the area of property taxes so you don't need LB 611 anymore. I guess I would remind the body that LB 84, if nothing else is done next year or the year after, all LB 84 will have been in the glorious history of the Legislature in the late twentieth century will be a way in which we could funnel some excess state revenue back to the people. We might as well have done it in a direct grant back to the people if nothing else happens. But if you remember when the original gang of four got together and created the compromise package that consisted of a, at that time, a two-year refund of excess revenues through a property tax relief measure for a short-term hold harmless on property taxes, but the commitment was there that LB 611 needed to be a

vital part of that; that LB 611 was the only way in which...I mean it's not the only way we could do it, but it's the only proposal before us now that can lead us toward long-term property tax relief. You cannot have long-term property tax relief as long as 75 percent of the cost of education comes out of property taxes. It just will not happen. Property tax relief and school finance are so closely intertwined that it's really impossible to have long-lasting property tax relief without a different method of financing education. LB 611, as introduced by Senator Moore, yes, did have a specific answer on how that would be done. It dealt with raise the income tax rates as a means of shifting the burden on...away from property taxes. Now it does not have a specific sort of answer. Senator Abboud is right in that. It is not a specific answer at this point. We can end with a shifting the property tax burden around. We could end with putting more things on the property tax rolls. We could end with expanding the sales tax base, increasing the sales tax base, or increasing the income tax. We could do any of those things as a shift in the way we finance education. What LB 611 is, though, is a strong commitment by this year's Legislature, number one, that you want to see the relief that you passed in LB 84 continue down the road and be there not just this year and next year but on in through the 1990s and on in to the twenty-first century, and it's a way of getting there. We may get down the road and decide that what we've had with our current equalization and foundation aid is as well as we can do in this state and just want to add more money to it. That's an option that's available to us. But the combination of the legislative intent, the specific thing we need to do to get that information on our income tax forms, and the repeal of foundation and equalization, I don't think that's necessarily creating a crisis, as it's been alluded to. I don't think it's necessarily putting our feet to the fire. I think it's just a statement that this Legislature is going to do something different in the area of financing schools in order to make schools better, but also in order to make our property tax burden much less. I think probably one of the biggest mistakes this Legislature can make after making such a positive statement the other day on property tax relief is to take out the long-term solution that's available to you here in LB 611. I would urge you to oppose the Abboud amend...motion.

PRESIDENT: Thank you. Senator Schmit, followed by Senator Korshoj.

SENATOR KORSHOJ: Question.

PRESIDENT: Just a minute. You're next after Senator Schmit. Senator Schmit, you know what's coming.

SENATOR SCHMIT: I'm not sure that I do, Mr. President. I don't think many of us do. I understand somewhat the intent of LB 611. I do not disagree with the intent of sharing income tax base with schools. My deep concern is if everyone here understands, and I want to ask this question, I think that Senator Abboud begins to understand, I don't know if it goes all the way through to Warner, Wehrbein, Withem and so forth, are we going to share income taxes across the entire State of Nebraska? In other words, very frankly, Senator Moore, are you going to send income taxes collected in Omaha and Lincoln back out to rural Nebraska? Will you answer that question?

SENATOR MOORE: Want me to answer that?

SENATOR SCHMIT: Would you please for the record?

SENATOR MOORE: Assuming you come up with a bill as I have envisioned there, you would be distributing state income...either the local income tax dollars going directly back to the school district and then there would be dollars from some place else distributed to local school districts through a new equalization aid that takes into account both property and income off that district. So in that manner, yes, there would be some possible...possibility, at least, of some income dollars going to some other district.

SENATOR SCHMIT: Doesn't sound like a very...like it's very probable though at this time, Senator. It seems to me as if, for example, the rural district which has that low income tax base is going to continue to just stir that...those income tax collections around and the same people who pay the taxes on property will pay additional income tax. If there was a way, if there was a way, and I'm hoping that maybe by the time the sunset takes place on the regular foundation and equalization aid you've got that worked out, maybe the hammer system works. I don't know. We've been talking about this for a long, long time. We can't even get a decent amount of equalization and foundation aid into the budget. I'm not going to talk in any great length about the glories of LB 84, nor any of the other many bills that have been passed this session, most of which

have increased the tax load and will continue to increase the tax load. If you're going to raise any money from income taxes, senators, for the purpose of aiding schools, you are going to have to repudiate and repeal some portion of LB 773, which was deemed necessary by this Legislature in order to keep the six figure executives in the State of Nebraska. If you don't do that, then you're going to have to continue what I consider to be the unfair policies of taxing the lower income people to produce the bulge in the income this year. One more thing we haven't done, we have not repealed any of 773 so that, although we talk about the temporary income tax increase, the income tax increase is going to be there next year regardless. I don't know what you're going to account for it then, boom in the market or maybe by that time we'll have a reverse or a recession. I hope not, but it looks too much like it to me. I just want to point out at this time, although the intent language is there, that we shall hopefully collect some money from across the State of Nebraska and return it to those low-income districts, there is no language in this bill at the present time as I understand that will do that. Senator Withem, would you give me your opinion as to whether or not at the present time LB 611 does provide a mechanism whereby income from high-income districts will be transferred to low-income districts?

PRESIDENT: Senator Withem, please.

SENATOR SCHMIT: As briefly as you can.

SENATOR WITHEM: No, it does not.

SENATOR SCHMIT: It does not. Thank you.

SENATOR WITHEM: Was that brief enough?

SENATOR SCHMIT: I want to say this, I congratulate them, the gentlemen who worked on this bill. It's been a tough fight and I know going...

PRESIDENT: One minute.

SENATOR SCHMIT: ...way back many years ago when Senator Sieck and others talked about this concept, the idea still has merit but bearing in mind that to do what you provide...what you want to do you will have to repeal or repudiate LB 773 in large

portion, or else you will have to substantially increase the income tax even further on the low-income and middle income groups to achieve your goal. Gentlemen, I don't know if we're going to get that done or not. Therefore, at this time, I will not support LB 611, although the intent is fine, but someone said once the road to hell is paved with good intentions. And certainly I want to say this also, that we have locked into place this session not tens of millions but hundreds of millions of new obligations for years to come and some of them...most of them carry the appellation of temporary. I would suggest that that doesn't very often turn out to be that way and, in this instance here, before I want to cut loose from the rope of the state aid and through foundation and equalization, I want to take a look at just what kind of program we have coming down the road to replace it. Thank you, Mr. President.

PRESIDENT: Thank you. Senator Ashford, please.

SENATOR ASHFORD: Question.

PRESIDENT: A question's been called. Do I see five hands? I do. The question is, shall debate cease? All those in favor vote aye, opposed nay. Ladies and gentlemen, we are on Final Reading. You are supposed to be in your seats and this has been called to my attention. Record, Mr. Clerk, please.

CLERK: 30 ayes, no nays, to cease debate, Mr. President.

PRESIDENT: Debate has ceased. Senator Abboud, would you like to close on your motion to bracket?

SENATOR ABOUD: Yes, Mr. President. I would like you to remind me when I have two minute left. I'd like to give that to Senator Moore.

PRESIDENT: We'll mention it to you.

SENATOR ABOUD: Thank you. I do have some problems with LB 611 and I'll be as brief as I can just laying them out. The first major problem I have is dealing with income taxes in that by giving this local option I feel what we will see is an increase in income taxes and I have some problems with that particular...placing this type of language into the law. Secondly, it seems so often that when I come back after the session to the district I get hit on by schools, counties,

cities with intent language. They said, well, you promised, you promised that you'd do this. And I try to explain to them that, no, that is intent language. That isn't specific statutory language. And by placing this into the statute in LB 611, I want it to be made clear that the Legislature is not promising to establish this type of local option income tax for the schools. It's merely, in my view, a study at this particular time. And, finally, when we talk about the loss of equalization formula, I think that's significant to certain districts. My district has a substantial amount of income. They're probably do just fine. Ralston and Millard School Districts have no problem with income. Well, that's not the case, though, in a number of districts throughout the state. When you're giving up that equalization formula, you will be hurting certain school districts. Some will do okay, some won't. And the giving up of our option, of our income tax, I think is significant, especially today when we're considering LB 739. It's nice to at least have the option of raising or lowering our income tax, but by giving that power of our tax base to another subdivision, we will be losing that. Mr. President, I'd like to give the remainder of my time to Senator Moore, and then withdraw my bracket motion after that.

PRESIDENT: You have roughly two and a half minutes.

SENATOR MOORE: Yes, Mr. President, you know, one thing I want to make perfectly clear to the body is that voting for LB 611 is not a vote to raise income taxes. Now it's a vote to share...with the intent to share some of that income tax base with local school districts, but that's something that we are yet...we're going to come up with between now and next year whether or not you're going to raise that income tax over and above what it presently is, or share a portion of the present income tax rate with school districts. That's a decision yet to be made, so you're not saying, yes, you're raising income taxes. Senator Schmit and the others have problems about, one, shifting of dollars from high-income areas to the low-income areas. As we stated, it's a hope to develop some sort of equalization aid. Now, present equalization aid in state statute deals just with property tax poor districts, and the intent with this bill is to develop an equalization aid that gives money to both...a school district that is both property poor and income poor. And so now you can have a district that's property poor that's tremendously income rich, and then, by allowing them to have some of their income tax base, then you can develop and equalization formula

that takes that into account. A lot of people have concern about the old...age-old concern you have when you go home about, yeah, you'll just raise money through LB 611 and school districts will spend more. If you look at the bottom of page 1 and the top of page 2, part of that intent language is to develop some sort of budget growth limitation in conjunction with the school districts so they don't just spend all the money, and so you're saying we're going to guarantee property tax relief by developing some sort of budget growth limitation that the schools can live with but yet assure the property taxpayer that, indeed, there is going to be some property tax relief. Now...

PRESIDENT: One minute.

SENATOR MOORE: ..LB 611 is half the move. It's a big step 'cause you're promising you're going to do something. Now, as Senator Abboud said, you promise things in intent language and then you don't deliver them. Well, the promise you're making when you vote for LB 611 is that, yes, we recognize we're going to try and shift the property tax burden on to something else and, to give that statement merit, we're going to sunset foundation and equalization aid. You know, yes, it's a big step, but the promise you're making with this one is, is that, yes, we recognize there is a problem and, yes, the Legislature is finally going to do something about it. And, with that, I'm glad Senator Abboud's withdrawing the motion and hope the body will advance the bill.

PRESIDENT: The motion is withdrawn. Mr. Clerk, you want to read the bill?

CLERK: (Read LB 611 on Final Reading.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 611 pass? All those in favor vote aye, opposed nay. Have you all voted? Have you all voted? Record, Mr. Clerk, please.

CLERK: (Record vote read as found on pages 2645-46 of the Legislative Journal.) 35 ayes, 12 nays, 1 present not voting, 1 excused and not voting, Mr. President.

PRESIDENT: LB 611 passes. We'll do LB 611A, and then Senator Barrett has an announcement for you before we recess for lunch.

May 22, 1989

LB 586, 586A, 603A, 603, 611A, 611

LB 611A, please.

CLERK: (Read LB 611A on Final Reading.)

PRESIDENT: Have you all voted? Record, Mr. Clerk, please.

CLERK: (Record vote read as found on pages 2646-47 of the Legislative Journal.) 35 ayes, 10 nays, 3 present not voting, 1 excused not voting, Mr. President.

PRESIDENT: LB 611A passes. Senator Barrett, please.

SPEAKER BARRETT: Thank you, Mr. President and members. I would like to suggest that there are another dozen or so bills that are available to be read on Final. I'd like to add them to the list today and if you'd like to make a note of them we'll tack them on to the end of the current agenda on Final Reading. They start with LB 137 and LB 137A, LB 211, and LB 215, LB 228, and LB 352, LB 639, and LB 761, and LB 762, LB 762A, LB 815 and LB 815A, and LB 817 and LB 817A. Those we can read this afternoon with a suspension, and I would like to so suggest. Thank you.

PRESIDENT: Did you want to suggest something about recessing?

SPEAKER BARRETT: I would move we recess until one-thirty.

PRESIDENT: You've heard the motion. All in favor say aye. Opposed nay. We are recessed till one-thirty. Thank you.

RECESS

PRESIDENT NICHOL PRESIDING

CLERK: Quorum present, Mr. President.

PRESIDENT: Thank you. While the Legislature is in session and capable of transacting business, I propose to sign and do sign, LB 611, LB 611A, LB 603A, LB 586, LB 586A, LB 603. Let the record show please that Senator Coordsen had some guests in the north balcony. There were seven 9th grade students from Milligan High School in Milligan, Nebraska and the teacher.

May 22, 1989

LB 84, 525, 611, 739A, 739, 813, 814

should continue to come in. When I look at issues such as LB 611 that we passed yesterday, excuse me this morning, and it impacts our income tax system potentially down the road, I don't know that at this point in time we should make an adjustment that folks are saying is to keep promises that I don't think were even broken, to be honest with you. I think what we have done is we made a change in our income tax system that needed to be made. We took control of our own destiny. We continued to do that through spending measures, such as LB 84, LB 813, LB 814, LB 525, all big ticket items that we voted on, except for...with the exception of one and pass. LB 739 is another big ticket item that we have the opportunity here this afternoon to vote on. It looks like it's going to go, so be it. I don't think that that is bad. I just hope that what it doesn't do, down the road, is forestall the ability to continue to look at the kinds of programs, the kinds of initiatives that we started this year, hope we can continue to maintain them. But I think that it will put a dent, or put a hamper on the ability to do that. So, with that, that's my reason for opposing the bill, not because I think anybody broke a promise, far from it. I think what we did was we struck a cord with regard to our income tax system that made good sense. And by opposing 739 we continue to say that we made the right choice two years ago. I would urge you to oppose the bill. And, Mr. Clerk, I would appreciate unanimous consent to withdraw the motion.

SPEAKER BARRETT: It is withdrawn. Anything further on the bill?

CLERK: Nothing further, Mr. President.

SPEAKER BARRETT: Proceed to read the bill then.

CLERK: (Read LB 739 on Final Reading.)

SPEAKER BARRETT: All provisions of law relative to procedure having been complied with, the question is, shall LB 739 pass? All those in favor vote aye, opposed nay. Have you all voted? Record, please.

CLERK: (Read record vote as found on pages 2657-58 of the Legislative Journal.) 37 ayes, 11 nays, 1 present and not voting, Mr. President.

SPEAKER BARRETT: LB 739 passes. LB 739A.

May 22, 1989

LB 84, 84A, 586, 586A, 603, 603A, 611
611A, 739A, 744

CLERK: (Read LB 739A on Final Reading.)

SPEAKER BARRETT: All provisions of law relative to procedure having been complied with, the question is, shall LB 739A pass? All in favor vote aye, opposed nay. Have you all voted? Record, please.

CLERK: (Read record vote as found on pages 2658-59 of the Legislative Journal.) 40 ayes, 7 nays, 2 present and not voting, Mr. President.

SPEAKER BARRETT: LB 739A passes. LB 744.

CLERK: Mr. President, may I read some items for the record?

SPEAKER BARRETT: Proceed.

CLERK: Mr. President, communication from the Governor to the Clerk. (Read communication regarding LB 84 and LB 84A. See page 2659 of the Legislative Journal.)

Confirmation report from the General Affairs Committee. Your Enrolling Clerk has presented to the Governor bills read on Final Reading this afternoon, Mr. President. That's all that I have. (Re. LB 586, LB 586A, LB 603, LB 603A, LB 611, LB 611A.)

SPEAKER BARRETT: Thank you. Proceed then to the reading of LB 744.

CLERK: (Read LB 744 on Final Reading.)

SPEAKER BARRETT: All provisions of law relative to procedure having been complied with, the question is, shall LB 744 become law? All in favor vote aye, opposed nay. Have you all voted? Have you all voted? Senator Withem.

SENATOR WITHEM: Let's do a roll call vote, please.

SPEAKER BARRETT: Thank you. Roll call has been requested. Members, please check in. Senators Rod Johnson and Byars, please record your presence. Senator Lynch, please. Senator Warner, please record your presence. Senator Smith. Senator Byars. Senator Dennis Byars, please, record your presence. Proceed with the roll call. The question again is the...whether

last year; Senator Chizek's LB 747 was one. It dealt solely and specifically with the homeowner, the owner-occupied residence, because those people were under the burden of a very costly property tax that in some cases had driven those people out of their homes, those who were the elderly and on fixed incomes, most of all. It also provided a barrier for young people who could not afford to purchase a home because of the additional cost of the real estate taxes that they had to bear. The other form of relief that we looked at last year was brought to us by Senator Lamb, which was the bill that ultimately became LB 84 and was passed and was, as Senator Landis points out, a commingling, if you will, of the two ideas, that being a straight 10 percent across-the-board proposal that he offered to the Revenue Committee; 10 percent, which favored the landowner clearly. It favored those who owned a vast majority of the property and did not have as dramatic an impact on the homeowner. The third proposal was a proposal that was brought by Senator Moore in the form of LB 611 that dealt with the overreliance, the key issue of property tax, the overreliance by local subdivisions, specifically schools and the financing thereof in the area of property taxes. That bill was modified greatly, was advanced and basically became nothing more than a sunset for our current foundation and equalization formula. It was passed as well. Senator Chizek's priority bill, LB 747, is before you. And I would disagree with much of what Senator Landis said, but really only one area and one area alone. I would narrow that down to the issue of why our property tax relief effort, last year, in the form of LB 84, failed. And I would argue that it failed because it was spread too thin. It was spread too thin. We tried to do just exactly what would be urged today, that we basically try to be all things to all people and it won't work, ladies and gentlemen. We have only so much money to dole out. The lid, granted, is a necessary factor in this equation. I have an amendment up that will provide a protection with regard to the lid issue but to again try to take an even smaller pot of money and spread it to the same base that we did last year, or attempted to last year, would provide even less if there is a possibility for that when you gave little or none, if there is possibility to give less than that, that's what we would be doing if we would try to attempt to massage LB 747 into another LB 84. The provisions that would allow for the homestead exemption, with the committee amendments, would allow about \$50 million in property tax relief. I have read in the paper comments by members of the Legislature in the last few days that the revenues are basically...

of the total value of property, 50 cents per \$100 of assessed valuation. We have property taxes in this state that are \$3.50 to support education. The system is broken. We are facing a legal challenge. There are some farmers from right around the Lincoln area that are taking a case into our court challenging our education system. These types of things have been very successful in states like Kentucky, like Texas, like Montana, other places. We have, if we don't do anything this session or pass something with an emergency clause next session, we don't have a school finance system. We, as a Legislature, conscious of what we were doing, committed ourselves last year to a change. We passed Senator Scott Moore's personal priority bill, LB 611, committing ourselves to a change in the way we finance education, because if we leave here this session doing nothing, the gun is really at our head. We have to come in next year and pass with the emergency clause a measure or we don't have a state system for funding education. What we need to do today is we need to question this proposal. We need to dissect it. We need to be comfortable with it. We need to debate it. We need to understand it. We need, still, I will admit, we need to modify it. We need to continue to mold it. We need to create a bill that we are comfortable with, but we, as a Legislature, do not have the luxury of doing nothing. This bill is the result of a lot of compromise already. It doesn't solve all of the problems in education. It doesn't purport to. It doesn't solve all of the problems with our property tax system. It doesn't purport to, but it takes a major swath down the middle of those problems that are out there. As the debate goes on, if you have questions about the bill, Larry Scherer is here. I believe we have the people from the Department of Education out in the rotunda, Tim Kemper, Polly Feis, other individuals from the Department of Education. Ask your questions. We want a full debate on this bill. Committee amendments are in and of themselves relatively innocuous. Most of them are clarification amendments. An explanation has been handed out. They have been printed in the Journal. The major change, the major policy change that is connected in the committee amendments involves a hold harmless provision. A number of school districts that receive less state aid as a result of this bill than they do currently said that their concerns needed to be answered. At the committee hearing and at the statewide teleconference we had, there was a plea that we not have as a result of this bill, at least in the first year, any school district receiving less state aid. What the committee is doing is suggesting a phased out, hold harmless amendment, 100 percent less aid the first

the School Finance Review Commission, and repealing the intent sections of LB 611 to harmonize our statutes. Most of that is clarification in nature. If you have any questions on any of it, be happy to try to answer them.

SPEAKER BARRETT: Senator Moore, please.

SENATOR MOORE: Thank you, Mr. President and members. You know, as Senator Withem outlined, this is the package of somewhat technical amendments that we will offer to this bill today. Now, obviously, as we embark on our voyage of debating probably the biggest, one of the biggest bills that we ever dealt with in the Legislature, there is going to be a lot of discussion this afternoon. And I think, as there has been a lot of what I'll call strawman, bogus complaints, criticism of this bill, I think there is going to be attempts, through these amendments and others throughout the day, to try and answer them. We're going to have amendments offered up that deal with impact aid. We may have amendments offered up that deal with special education. We may have amendments offered up that deal with some sort of minimum levy, an ongoing hold harmless, things like that that this body can discuss and see what it is that they want to do. We're even going to have one that says, point blank, that the money that school districts receive under this, that is not spent on their allowable budget growth, will go for property tax relief; we're going to say that, if that is a concern to people. I think you will find out, if you listen closely, most of those arguments against the bill, whether they be from the northeast corner, to the state chamber, to some others that have been nervous about this bill, we're going to answer them today. We're going to allow you some opportunities to...some options to how you want to answer them, nonetheless. I encourage people to listen closely and bring yourself and your district into the discussion, because we do have answers for all those questions. And I know in the last two weeks there have been bullets fired at us from all around, and we've been ducking. We have answers to those questions, because there are some reasonable concerns. There are some things, quite frankly, I think Senator Withem and I have been working on this for two years, are obvious to us, but maybe we need to spell it out a little bit clearer. Some of those things are the things that are included in AM3066. So, with that, I urge the adoption of this amendment and urge the body, as a whole, to pay some close attention today, and pay close attention to the arguments that Senator Schmit gives, and others that give, and pay even closer attention in how we answer