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Revenue Committee March 2, 2023
Rough Draft

von GILLERN: [RECORDER MALFUNCTION] here, but I know folks are working their way down from the Chamber, and maybe some of them are trying to grab a quick bite on the way down, so I'll read slowly if I can. So welcome to the Revenue Committee-- Revenue-- Revenue Committee's public hearing. My name is Brad von Gillern. I'm a senator from District 4 in West Omaha and Elkhorn, and I'll serve-- I'm the Vice Chair of this committee, and I'll serve dur-- as the Chair during the first hearing. The committee will take up two bills in the order that they're posted outside the hearing room. Our hearing today is your public part of the vice-- of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit or eliminate handouts. If you're unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 12:00 p.m. the day prior to the hearing. Letters emailed to a senator's staff member will not be a part of the permanent record. If you're unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceeding, I ask that you follow these procedures. Please turn off all cell phones and electronic devices. The order of testimony is the introducer, proponents, opponents, neutrals, and the closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like distributed to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask a page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It's my request that you limit your testimony to five minutes, and we will use the light system. Green is four minutes; yellow, one minute remains; red, please wrap up your comments. If your remarks were reflected in previous testimony, if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my left is research analyst Charles Hamilton, and to the far left is committee clerk Tomas Weekly. Committee members with us today will introduce themselves, beginning at my right.

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

BRIESE: Welcome. Tom Briese. I represent District 41.

von GILLERN: Thank you. Others are arriving. Our pages today are Kaitlyn [PHONETIC]-- please stand, please-- Kaitlyn, who's at UNL, a junior in political science, and Tessa-- please stand-- at UNL who's a freshman in business and law. Thank you for helping us out today. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information; therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and are a critical part of our state government. And with that, we will open on LB407. Senator Linehan.

LINEHAN: Thank you. Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n, and I'm from Legislative District 39, Elkhorn and Waterloo in Douglas County. I'm here to present LB407. LB407 is a very simple bill. It affects the Nebraska Transformational Projects Act and the deadline for new applications. Currently, the deadline is set to end on December 31 of this year. My bill will amend the law to extend the deadline until 2025. Thank you and I'm happy to answer any questions from the committee.

von GILLERN: And questions from the committee? Seeing none, thank you, Senator Linehan. Presume you'll stay to close. And we'll welcome up our first proponent. Good afternoon.

JEFF GOLD: Good afternoon. Vice Chair von Gillern and members of the Revenue Committee, my name is Dr. Jeff Gold; that's J-e-f-f G-o-l-d, and I have the honor of serving as the Chancellor of the University of Nebraska Medical Center and the Executive Vice President and Provost of the University of Nebraska System. I'm appearing today in an official capacity in support of LB407 on behalf of the University of Nebraska. I want to personally thank Senator Linehan for her leadership and for introducing this important legislative proposal that extends the application deadline for the Nebraska Transformational Project Act by two years, through December 31, 2025.

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For background, LB1084 was introduced in 2020 to help establish the Project NExT public-private partnership. Similar private UMC projects like the Fred and Pamela Buffett Cancer Center and the Davis Global Center. Project NExT is a partnership between the University of Nebraska Medical Center, the state of Nebraska, multiple federal departments, including the U.S. Departments of Defense and Health and Human Services, as well as private businesses and philanthropic partners that are a campus-wide initiative to transform and access and to provide quality of healthcare, education, training, research and care in Nebraska, while also providing critical services to our nation through a scalable all-hazard disaster response facility. We are truly grateful for the state's partnership and commitment to this once-in-a-lifetime project, and to the philanthropic donors and to the city of Omaha who have supported Project NExT as a result of this state action. After passage of LB1107 in August of 2020, UNMC worked in concert with then-Governor Pete Ricketts, his administration, our federal delegation, and economic development partners to move Project NExT through the necessary steps in the Departments of Defense, Health and Human Services, and the White House in the fall of 2020; but with significant changes after the 2020 election and major staff turnover in federal departments and agencies due to the new administration, we have seen delays in federal appropriations processes that were unforeseen. This was due in part to the federal focus on COVID-19, which is understandable, the war in Europe, and the ongoing delay in filling necessary administrative vacancies in key federal departments and agencies. In short, the two-year extension in applying for the Nebraska Transformation Project Act is needed due to these unforeseen factors that have slowed the federal components anticipated for Project NExT. Further, we have recently also begun exploring new opportunities to incorporate the Veterans Administration potential into a new inpatient facility as part of Project NExT. The two -year application deadline extension, outlined in LB407, will allow UNMC to continue our work with various federal agencies and our federal delegation in securing the multi-agency partnerships and necessary funding within an unrestricted ten-year time frame under the Nebraska Transformation Act, I also wish to recognize and thank the members of our federal delegation and our very generous philanthropic community for their tremendous support of Project NExT, going back to 2019, and for being dedicated and invaluable partners throughout this complicated process. Once again, special thanks to Senator Linehan for her leadership with Project NExT, with both LB1107 in 2020 and with LB407 in front of each of you today. With her guidance for questions and support, Project NExT, without that, would have never advanced as

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far as it is today. I thank you for your time and would be very happy to answer any questions that you may have. Thank you.

VON GILLERN: Thank you. Questions from the committee? Yes, Senator Murman.

MURMAN: Really appreciate your testimony and your service, Chancellor Gold. I know when we passed this legislation, philanthro-- philanthropy was a big part of it. Could you share a little bit about what's been done with philanthropy thus far with the project?

JEFF GOLD: Yes, sir. We are very fortunate to have a very generous private philanthropic community, initially led actually by the Suzanne and Walter Scott Foundation. But we have signed letters of commitments, binding fund agreements, and, indeed, a preliminary fund transfer that is approximately \$480 million committed at this time, with several other handshake agreements and pending funding opportunities that will begin with the combination of state and federal funds flow.

MURMAN: Thank you very much.

VON GILLERN: Other questions? Yes, Senator Briese.

BRIESE: Thank you, Vice Chair, and thanks for being here, Dr. Gold. I don't recall. What was your initial fundraising, private fundraising goal at the beginning of this project?

JEFF GOLD: The initial goal was between \$5 and \$700 million. The legislation, as I recall it, required a minimum of \$300 million in private philanthropic funds.

BRIESE: OK.

JEFF GOLD: So we have already well exceeded that. And indeed, ongoing work of site preparation, etcetera, is now being completely financed through private philanthropic dollars.

BRIESE: OK. So even though we're appearing to push this back a little bit, things are on track? It's going to result in what we originally intended?

JEFF GOLD: It's certainly our anticipation, sir. We have broken it into multiple phases, anticipating that the federal dollars will lag the-- the local dollars, the philanthropic dollars, etcetera. The

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phase one project, which involves site preparation, taking down of what was the old Munroe-Meyer site and clearing the ground and making it ready for construction is actively underway. We're also doing some project planning, have engaged several architecture firms, etcetera. But in terms of the actual facility planning, that is still underway. We are also very actively programmatically planning because this will result in expansion of medical school enrollment, nursing, pharmacy, many of the allied health professions, as well, and there's a multi-year lead period that goes into that, and that's actively underway, as well, Senator.

BRIESE: And I assume pushing this past is going to result in some significant inflationary pressures on the overall cost here, correct?

JEFF GOLD: Very well may--

BRIESE: OK.

JEFF GOLD: --although it is my understanding that a lot of the construction costs have sort of plateaued, at least as I speak to my colleagues across the country who are doing multibillion-dollar academic medical center projects. The last two years have seen a tremendous escalation, not only in cost of-- of the contracting but also in supplies and equipment, and that does seem to have plateaued.

BRIESE: OK. If I remember correctly, the state's commitment here is around \$3-- up to \$300 million. Is that correct?

JEFF GOLD: That is my understanding, over a multi-year period.

BRIESE: Yes. And do you anticipate needing additional state dollars or dollars in addition to those 300 for this project?

JEFF GOLD: I think it would be very warmly received, but there's no plan to make that request, at least not at this time, sir.

BRIESE: Very good. Thank you.

von GILLERN: Other questions? Chancellor Gold, could you remind us of the total value, dollar value of the project, and jobs that would be related to that, created by that?

JEFF GOLD: Yes, sir. So at the time, back in 2019, we engaged the services of Tripp Umbach, which is a third-party firm that does economic impact work, and it might be worthwhile, my just re--

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reporting their results to you, rather than doing it from memory, if you don't mind. But the original project, there-- it was looked at in multiple different sizes. The first and the most conservative was approximately all parts in all phases, \$2.6 billion. The middle of the road was 3.4 and the top at that time-- again, this is 2019 dollars, to your point, Senator Briese-- was 4.2. So the numbers that I'm quoting to you refer the \$2.6 billion, the most conservative of the three different models, and I quote: The NExT Project will increase the total annual combined economic impact of UNMC and Nebraska Medicine by \$1.9 billion over the period of 2020 to 2030. Now, understand, we are currently estimated, based on the work done in 2021, at \$6.4 billion a year, so this would add another \$1.9 billion on top of that, 41,655 Nebraska workers over this period, which will include 32,955 temporary construction jobs, with a remaining 8,700 permanent jobs statewide. This will generate, during the period of construction alone, \$211.8 million in state tax revenue, with additional county and local tax revenue. And then thereafter, Tripp Umbach estimates that the NExT Project will add \$1.3 billion annually to the Nebraska economy when the project is fully operational and support 9,934 full-time, high-paying jobs, and generate \$38.2 million a year in state tax revenue.

von GILLERN: Very good. Thank you. Any other questions from the committee? Seeing none, thank you for being here today, Chancellor.

JEFF GOLD: Thank you. Appreciate it.

von GILLERN: Next proponent.

JENNIFER CREAGER: Vice--

von GILLERN: Good afternoon.

JENNIFER CREAGER: Good afternoon, Vice Chairman von Gillern, members of the Revenue Committee. My name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r. I'm a senior vice president of public policy at the Greater Omaha Chamber. I'm also appearing today on behalf of the Nebraska Chamber of Commerce and Industry and the Lincoln Chamber of Commerce in support of LB407. Thank you to Chairman Linehan for introducing this bill. Those of you who were in this body and on this committee three years ago will recall that we spent a lot of time together and put in a lot of hard work and compromise, and personally a lot of anxiety that I'm not sure I've ever recovered from, to ultimately come up with LB1107. That major bill had three components:

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a substantial property tax reduction, the creation of the Imagine Nebraska Act, and a considerable investment of state dollars into the NExT Project, contingent upon both private sector and federal funds. Both in 2020 and today, the business community is a strong supporter of the enormous economic opportunity this presents for Omaha and for the state of Nebraska. As we are all familiar, the political environment in Washington can create instability and uncertainty, and this effort has also had to navigate many changes. As Dr. Gold mentioned, due to the presidential transition in 2021, not to mention the ongoing impact of COVID, securing the necessary federal funding has taken longer than was initially expected. We believe that the two-year extension for state funds as proposed in LB407 is a reasonable request in order to secure the federal funding we need to take the project over the finish line. We were proud to partner with our friends at the university to secure passage of LB1107 and we hope you will favorably consider LB407 today to carry out the intent of that significant piece of legislation. Thank you for your consideration.

VON GILLERN: Thank you. Any questions from the committee? Seeing none, thank you for being here, Ms. Creager. Next proponent. Any other proponent testimony for LB407? Seeing none, any opponent testimony? Seeing none, would anyone like to testify in the neutral? Seeing none, Senator Linehan, would you like to close? Senator waives closing. That'll end our hearing on LB407. We'll open up on LB165 and welcome Senator Geist.

LINEHAN: Good afternoon.

GEIST: Good afternoon. Thank you, Chairwoman Linehan, and good afternoon, members of the Revenue Committee. For the record, my name is Suzanne Geist, S-u-z-a-n-n-e G-e-i-s-t. I represent District 25, which is the southeast corner of Lincoln and Lancaster County. I'm introducing LB165 because several months ago this issue actually directly impacted my family. My husband and I have worked very hard over our married life and carefully saved our money and a number of years ago, we opened 529 accounts for our grandchildren. We give them money every year towards their accounts. At the time that we opened the accounts, we knew that these were to be used only to help our grandchildren pay for their college education. However, last year, we found three of our grandchildren who wa-- from the same family who wanted to move from public school to private school. At the same time, I also learned that there's a number of states that use their 529 plans-- that allow usage of their 529 plans for private school for K

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through 12 education tuition. The federal government allowed this change in 2018. So ultimately I was frustrated that our state can dictate how my husband and I spend money that we save, which is why I'm here introducing LB165. And I want to reiterate that LB165 will conform Nebraska to the federal changes regarding 529 plans under the College Savings Plan program. The federal changes allow for contributions to a plan to be used to pay tuition at an elementary or secondary school of choice. Nebraska 529 accounts can even be used to help pay off student loans, but they cannot be used to pay K through 12 tuition in Nebraska. Nebraska is one of only 11 states that does not allow 529 accounts to be used for K through 12 funding and it's time to change. You will be hearing from people behind me that would like to have this bill include tuition for public schools. The original intent-- intent of the bill was to have it apply for private school tuition. We did come to an agreement yesterday and will be working on an amendment to allow this to happen. It was just too short to have ready for today. But as soon as that is done, I will make sure that is received by your committee and each of your members. Nebraska State Treasurer John Murante will be following me. He is an expert in this subject. But with that, I would be happy to answer any questions that you may have that I can answer.

LINEHAN: Thank you very much, Senator Geist. Senate Briese.

BRIESE: Thank you. Just one question.

GEIST: Yes.

BRIESE: What was the amendment going to do again? I-- I missed that.

GEIST: It was going-- it was-- it's to pay for tuition for public schools, which--

ALBRECHT: For public?

GEIST: Yes.

BRIESE: OK. OK. Very good.

LINEHAN: Thank you, Senator Briese.

BRIESE: Thank you.

LINEHAN: Maybe somebody can explain that. Other questions from the committee? Will you stay to close?

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GEIST: I will stay to close.

LINEHAN: Thank you very much. And the-- you've asked for the amendment?

GEIST: Yes, it's friendly.

LINEHAN: OK. All right. Are there proponents?

JOHN MURANTE: Good afternoon. Chairman Linehan, members of the Revenue Committee, for the record, my name is John Murante, J-o-h-n M-u-r-a-n-t-e. I am your Nebraska State Treasurer and here today in my capacity as the trustee of the Nebraska Educational Savings Trust, which is Nebraska's 529 educational savings plan. I want to thank Senator Geist for introducing this bill. It's a good bill. It's been adopted at this point in 40 states and the District of Columbia. As many of you know, Congress enacted 529 legislation 20-some years ago. And at this point, every year, it seems, Congress is expanding the allowable usage for 529 expenditures. Just in recent years, this Legislature-- Congress has enacted and this Legislature followed up with its own legislation to expand qualified withdrawals to include apprenticeship costs, student loan debt repayment, the cost of computers and technology. When Congress passes something, we have to come back in the State Legislature for NEST 529. And I want to thank you all for the work that you've done over the years in expeditious-- expeditiously expanding Nebraska's law to conform with federal law, which is what Senator Geist's bill does. I want to talk just a minute about what this bill does not do. This bill, the policy in question, is not about whether Nebraska parents can use 529s to save for their kids' education and pay for K-12 tuition costs. Congress decided that question. Any Nebraska and can open a 529 account and send their-- and pay for their child's K-12 tuition expenses in Nebraska today. They just can't use Nebraska's plan. They can use any of the 40 states who already have plans that have been expanded for the use of K-12 tuition. And as a practical matter, the only thing we can do-- as a practical matter, NEST still considers K-12 tuition costs to be a nonqualified withdrawal. The only punishment that we can effectuate on our account holders is, if they claimed a state income tax deduction, that deduction would be subject to recapture because it's non-qualified withdrawal. The practical reality is 75 percent of our account holders are not Nebraskans. They don't pay Nebraska income tax. They are not subject to any state income tax recapture. So if you are a NEST account holder and you're a Californian with a California beneficiary and you use your NEST account today to pay for K-12

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tuition, there's nothing the state can do about it because you never claimed the state income tax deduction in the first place. So as a practical reality, we are looking at a very narrow subset of the total college savings plan as a policy. I am very skeptical of the argument that if you pass this bill, you are going to see a massive infusion of state income tax deductions with parents all over Nebraska opening up 529 plans, depositing money in it, qualifying for the state income tax deduction, and then withdrawing the money immediately to pay for K-12 tuition. And I would tell you, if that-- if there was any evidence that that would actually occur, you would see no stronger opponent to such a public policy than myself and the program manager. Why? Because we are paid based on the amount of money that is in the college savings account program. So if money's coming in and going directly out, both the state and our program manager are incurring all the costs of running the program, but we aren't generating any revenue. Quite frankly, I would probably have a fiduciary obligation to oppose this bill if that were the case because it would be so detrimental to our existing account holders. I couldn't negotiate a decent contract with a program manager if the reality was we had many accounts with all the costs to run these accounts but no money in them. No one would want to run Nebraska's program and it would be very-- it would be much more expensive, for those of you who have college savings accounts, to actually administer those accounts. So we think this is a good, commonsense solution. We believe that Nebraskans who have been saving, and really our account holders from across the country, if they've been saving for their kids' education and they want to use their own money to pay for K-12 tuition, for-- from our point of view, that's their business. That's not really the role of a State Treasurer's Office or the state. It's allowable under federal law and we think Nebraska's law ought to be updated to conform that. With-- and with that, I'd be happy to answer any questions.

LINEHAN: Thank you, Treasurer Senator Murante-- Senator Murante.
Senator Murman.

JOHN MURANTE: We look alike.

MURMAN: Thank you, Treasurer Murante. I was just looking at the fiscal note and you-- you, by your testimony, said this was a pretty narrow group that this would affect. It seems like, to me, that fiscal note, just off the top of my head, looks pretty high, if that's true. Is that-- is that--

JOHN MURANTE: I think--

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MURMAN: Would-- would you agree with that?

JOHN MURANTE: Calling it high I think is very charitable. I would say we are lucky in Nebraska to have our director of the college savings program, Rachel Biar. is the national chairman of the College Savings Plan Network, which is where all of the college savings plan pro-- programs come together, and Nebraska is currently in the driver's seat. So we've seen what happens when 40 states enact this policy. Nothing close to what's on that fiscal note has been the reality in any state that has passed this-- this bill. So as a practical reality, I don't think there is any basis in evidence or data to support, I believe, what they claim is that 50 percent of the students of Nebraska would open a 529 account next year, which is-- I would love to tell you it was that easy, but it's just not.

MURMAN: OK. Thank you.

LINEHAN: Thank you, Senator Murman. Are there other questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here today. It's nice to see you. OK, so you said that this is a federal program?

JOHN MURANTE: 529? Yes.

ALBRECHT: So can---- so it's OK for us at the state level to add or take off what we would like to change?

JOHN MURANTE: So we couldn't add beyond that which the IRS has added--

ALBRECHT: Allows.

MURMAN: --allowed-- has allowed. But we could be more restrictive, which is what we are in-- in this case.

ALBRECHT: OK. So the question that was asked from Senator Briese to Senator Geist, you're saying that people would take this money and use it toward public education?

JOHN MURANTE: So the federal law, as it was written, allows for K-12 tuition expenses, whether it is-- and I believe the-- believe this because I talked to our legal counsel yesterday and confirmed it-- for public, private and religious schools, so what Senator Geist is

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proposing would be directly in line. You saying public or private tuition is verbatim what the federal law is.

ALBRECHT: Says already?

JOHN MURANTE: Yes.

ALBRECHT: OK.

LINEHAN: OK. Thank you, Senator Albrecht. Senator Kauth.

KAUTH: Thank you, Chair Linehan. So would it-- kind of along that line of thinking, my kids did show choir and it was like \$1,000 just for them to get their costumes and the music and all of that. Would you be able to use-- if we change it this way, would you be able to use it to pay the fees and expenses that-- I mean, since we don't charge tuition at public schools, would it be fees and expenses as well?

JOHN MURANTE: So this is where I have to be a little careful--

KAUTH: OK.

JOHN MURANTE: --because neither am I an attorney, nor does the office have any attorneys, and we also don't provide any sort of financial advice, certainly not-- not legal advice. So what I can say is that the federal law says that 529 dollars can be used to pay a public, private or religious school tuition.

KAUTH: OK.

JOHN MURANTE: It does not define the word "tuition." So I-- I can't say with any matter of specificity what it-- what limitation there is on that, but that's the verbatim. And I'll give you another. For example, we currently have a law in 529-- 529 law that says that 529s can be used for reasonable room and board expenses. What does the word "reasonable" mean? Congress didn't define it. So if someone were to come to me and say, I've-- I've got a room and board expense, is it reasonable, my answer would be I'm not an attorney, I-- I don't want to give you legal advice. If you're renting the top floor of the Embassy Suites, probably not reasonable; if you're in a dorm, it probably is, but I'm not going to offer legal advice on that. So that's-- I would just say what Senator Geist is proposing conforms to federal law. What it is Congress meant by that, I'm not entirely sure.

KAUTH: Thank you.

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LINEHAN: Thank you, Senator Kauth. Any other questions? Because I've asked other people that have done this and they have their accounts in Iowa, so you can do-- so all I have to do is go across the river and open an account there and then I can do this already.

JOHN MURANTE: That's right.

LINEHAN: Is that true for Kansas too?

JOHN MURANTE: Yes, the-- any of the 40 states, and I've got the list of the ten states.

LINEHAN: All the states around us. I just have--

JOHN MURANTE: All the states around us, yes--

LINEHAN: OK--

JOHN MURANTE: --except Colorado.

LINEHAN: --so it's not a matter of whether they can or can't do it. You can do this. We just can't do it in Nebraska.

JOHN MURANTE: Correct.

LINEHAN: OK. Thank you very much. Any other-- yes, Senator Briese.

BRIESE: Thank you. And might be a dumb question-- I have to think about this a little bit, but thank you for your testimony here and being here today-- but if you open it up in Iowa, do you get the Nebraska tax deduction?

JOHN MURANTE: No.

BRIESE: OK. Thank you.

LINEHAN: OK, so let's-- thank you, Senator Briese. So do you get to deduct what's put in the account? I know it's--

JOHN MURANTE: If it's in a NEST 529 account, yes, that-- the contributions become tax deductible.

LINEHAN: OK. And wh-- the earnings, you don't have to pay on what it earn-- it's like an IRA, is--

JOHN MURANTE: Correct.

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LINEHAN: So you don't have to pay--

JOHN MURANTE: It grows tax free from that.

LINEHAN: OK. All right. Yes, Senator.

BRIESE: Yeah. AND just to clarify, the deductibility you're talking about is if it's a Nebraska plan, a NEST plan, not--

JOHN MURANTE: That's right, just--

BRIESE: --not the one in Iowa?

JOHN MURANTE: That's just a state income tax deduction.

BRIESE: OK. Thank you.

LINEHAN: Thank you very much. Any other questions? You said something about the number of children. I have not read the fiscal note before. What are they thinking the numbers would open up accounts [INAUDIBLE]

JOHN MURANTE: As-- as I read the fiscal note, they were estimating that 50 percent of Nebraska eligible children would have a NEST 529 account opened up next year if you pass this bill.

LINEHAN: That's if 50 percent of kids in Nebraska's--

JOHN MURANTE: Right.

LINEHAN: --parents can afford that.

JOHN MURANTE: I'd like to tell you we had that level of awareness and reg-- re-- name recognition, but it's just not true.

LINEHAN: Yeah. All right. Any other questions? Thank you very much for being here, Treasurer Murante.

JOHN MURANTE: Thank you all.

LINEHAN: Next proponent.

JAY STEINACHER: Good afternoon.

LINEHAN: Good afternoon.

JAY STEINACHER: Chair Linehan, Members of the Revenue Committee, my name is Jay Steinacher, J-a-y S-t-e-i-n-a-c-h-e-r. I've been with Union Bank & Trust Company since 1989, the last 23 years overseeing the 529 savings division. Union Bank serves as program manager for the Nebraska NEST 529 Program. As program manager, we work closely with the Nebraska State Treasurer, who serves as trustee and administrator of the program, and with the Nebraska Investment Council in regards to the investments. We assist with a number of the functions, including the administration of the program, including marketing, promotion, distribution, servicing, record keeping, custody, investments and call servicing. As a point of background, the Nebraska NEST 529 program was implemented in January 2001 under the leadership of Senator Donald Pederson, Senator Edward Schrock and former-Treasurer Dave Heineman. As you're aware, 529 is a section of the federal tax code that allows special tax treatment for these education savings programs. This at the federal level, and it further provides that each state can establish, maintain and oversee their own program. In Nebraska, that's called the NEST 529 program, getting to your question, Senator Albrecht. The program has been extremely successful since its launch over 20 years ago. As a testament to its success, the Nebraska NEST program has over 300,000 investor accounts and it's grown to over \$6 billion and assets, which positions Nebraska as ranked number 18 in assets across the nation in a state that is 37th in population. Why does the program experience that success? A strong investment lineup, low cost and, importantly, a competitive plan structure. Keeping the program competitive is important as we look out over the next 5, 10, 20 years and beyond. Nebraska has done an excellent job over the years keeping the program aligned with the federal laws, rules and regulations by conforming to changes at the federal level. When we travel the state marketing and promoting the pro-- program, we lose momentum whenever we have to answer with a "however" or a qualifier statement. In the last several years that might have been in regards to loan repayments or apprenticeship program expenses. But as the Treasurer mentioned, the Legislature in the last several years took action in regards to those, removing those. Those were federal changes and Nebraska introduced legislation to conform and to allow those expenses, enhancing the program, making it more competitive. We now receive the question "I read an article that says I can use the NEST 529 for K through 12." We have to answer, "Yes, you're right. K through 12 is covered at the federal level. However," we have to add that qualifier statement, "not all states allow it at the state level, and Nebraska is one of those handful of states that does not and you'll lose several tax benefits if you do use your NEST 529 for K

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through 12." My long-term goal is to continue to grow the number of Nebraska families saving for a loved one's future education. We're focused to keep the next NEST 529 program competitive and a great value for Nebraskans and savers across the nation. Keeping the program aligned with federal guidelines is important. We appreciate your attention and consideration of LB165. Thank you, and I'd be happy to answer any questions the committee may have.

LINEHAN: Does the committee have any questions? Senator Murman.

MURMAN: Thanks for your testimony. And maybe there'll be someone else behind you that can answer this better, But do you look at, if these funds are made available for private schools, that that will enhance the-- the program, get more investments, or will more be taken out sooner and-- and less investments, I guess?

JAY STEINACHER: When-- whenever you have to explain yourself and have the qualifier and the "however" statements when people are excited to get into the program and then you tell them, if they're excited about the K through 12 feature, well, that doesn't apply here in Nebraska, you lose a little bit of momentum. So I think changes like this that have been made successfully by the Legislature over the last 20 years has led to Nebraska's success, that it hasn't just said here's the program, we're not going to be nimble, we're not going to make changes, so we think it's a positive from the investor standpoint.

MURMAN: Yeah, thank you.

LINEHAN: Are there other question-- thank you, Senator Murman. Are there other questions from the committee? I have a couple. You can deduct it-- Nebraska or Iowa, doesn't matter, you can deduct it from your federal income tax, the don-- the contribution.

JAY STEINACHER: The federal benefits, no tax deduction up-front, but tax=deferred growth and tax-free withdrawals, so--

LINEHAN: OK, so there's confusion here. So you don't get to deduct it from your federal tax when you put it in?

JAY STEINACHER: The contribution, no, that's just at the state level. In Nebraska, it's the \$10,000 state of Nebraska deduction, but no federal. But the huge benefit, federal, is you pay no taxes as it grows and builds; and if you use it as a qualified expense, you pay no federal income tax, so that's the big benefit on the federal side.

LINEHAN: And wouldn't-- most people who do this would be able to do this. They'd-- you'd have to itemize, like you have to itemize.

[INAUDIBLE] itemize?

JAY STEINACHER: Nebraska, I think it's Schedule I that you put it on and you do not need itemize, so depending on the tax rate, at 6.84 percent, at \$10,000, \$684 maximum savings or--

LINEHAN: OK.

JAY STEINACHER: --\$664 with the new tax rates going into effect.

LINEHAN: Yes. OK. All right. Thank you very much. Are there other questions from the committee? Seeing none, thank you very much.

JAY STEINACHER: Thank you.

LINEHAN: Are there other proponents?

JEREMY EKELER: Good afternoon. My name is Jeremy Ekeler. I'm the associate director of education policy at the Nebraska Catholic Conference. My name is spelled J-e-r-e-m-y; last name is E-k-e-l-e-r. Chairwoman Linehan and members of the Revenue Committee, the Nebraska Catholic Conference advocates for the public policy interest of the Catholic Church and advances the gospel of life through engaging, educating and empowered public-- empowering public officials, Catholic laity and general public. It's taken less than six years for 39 states and Washington, D.C., to expand their 529s into K-12 education since permitted by the federal government. The program helps parents choose the best education for their child, yet Nebraska is in a shrinking minority, as we've heard. Since 2021, five states have expand their programs and program enrollment has jumped by nearly 6 percent as a result. Reason and faith teach us that, as those first responsible for the education of their children, parents have the right to choose a school for them which corresponds to their own conviction. This right is fundamental. Public authorities have a duty guaranteeing this parental rights and ensuring the concrete conditions for its exercise. LB6-- LB165 recognizes the need for state government to support parents in empowering them as the first educator of their child, and this matters deeply to Nebraskans. There are nearly 28,000 students in Nebraska Catholic schools, just under 37,000 total in all nonpublic schools in Nebraska. Catholic schools make up 112 schools that are fully approved and accredited by the Nebraska Department of Education. The point: nonpublic education is vital to Nebraska's educational

history, landscape and success. LB165 presents a measure of support to families who invest in 529s and choose these schools. Having testified in support of bills like LB165 in the past, I'm aware of the opponents' claims that this is a scheme for the wealthy. Interestingly, 74.4 percent of current 529 plan owners in the country fall into middle-class families with household incomes of \$150,000 or less, and 17 percent have incomes of \$50,000 or less. Therefore, families of all household incomes can and do use 529 plans. And all that being said, the bill has \$10,000 caps that should mitigate this concern. In the past, another objection to expanding 529s is that this will somehow hurt public schools. I cannot find research showing this to be true in any of the 39 states that have expanded. Furthermore, when NEST accounts were initially authorized for higher education purposes, there was no suggestion that it would harm public institutions of higher education. And it has not in nearly 40 years since the 529 inception. There are two lesser-known facts from our experience of running Catholic schools. First, many 529 account contributors are grandparents who wish to support grandchildren in K-12 education. We take this for granted, but this is an important population also impacted positively by LB165. Secondly, even seemingly small financial incentives, such as \$500 of support, can make all the difference in the world for a family, especially in this economy. Our hope is that this committee supports parents across Nebraska who work diligently and responsibly to save for their child's K-12 tuition expenses. We urge the Revenue Committee to advance LB165 to General File. Thank you for your time and consideration.

LINEHAN: Thank you. Are there questions from the committee? Seeing none--

JEREMY EKELER: Thank you.

LINEHAN: --thank you very much for being here. Are there other proponents? Good afternoon.

_____: I need the green one.

HEATHER SCHMIDT: Oh, the green one, sorry.

LINEHAN: Good afternoon.

HEATHER SCHMIDT: Good afternoon. Thank you, Senator Linehan and members of the Revenue Committee. My name is Heather Schmidt, H-e-a-t-h-e-r S-c-h-m-i-d-t. I am a proponent of LB165 and would like

to ask you to please pass this adjustment to Nebraska 529 accounts to match the federal changes. We are sending our youngest to private school. She has dyslexia. I've given you a summary of a recent assessment she had at the Barkley Center. Our local public school district won't even say the word "dyslexia." We listened to a very impressive and thorough presentation given about-- given about their new English language arts curriculum, where the word "dyslexia" was not said once, not one single time. So she will go to a private school, one where we won't have to avoid using the word "dyslexia," a school where we feel very confident that she will thrive. She will go to kindergarten when she is six instead of a very young five, because she won't be ready in the fall. Because she won't-- because she will be five but not in kindergarten, the IEP services she was getting through the public schools will stop. You see, they won't provide them to students who are eligible-- age eligible and not enrolled. We will continue to pay for the very expensive therapy she is getting and must have to be a successful student moving forward. We will continue to pay out of our pockets to make up for the learning loss she incurred because of the government-mandated pandemic mitigation strategies. She can't afford to wait while all of you hash everything out. Any extra savings for our future or our children's future education is put on hold because nothing is more important than making sure our children are educated every step of the way. We won't let any of them slip through the cracks. That's our responsibility. It's your responsibility to reasonably legislate ways to help us. LB165 is very reasonable. At the very least, we should be able to access the funds we have saved for our children's education to educate our children without penalty. The difference it makes on a personal tax bill is minimal. Wasn't it less than \$700 on the high end when OpenSky testified in 2021? This isn't money our public schools budgets [SIC] for. It isn't taking a single cent away from them. It is money that will be spent in Nebraska paying wages for Nebraska teachers and workers. It doesn't require reinventing a new wheel. It simply conforms to the federal guidelines that most other states are already following and might allow for a tiny bit of relief for all of us who are really trying to do what's best for our children. Thank you. I'm open for questions.

LINEHAN: Thank you. Thank you. Are there questions from the committee? Senator Murman.

MURMAN: Thank you for your testimony. Even though your child has dyslexia, I'm not sure if that's classified as a disability or not,

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but you do think that she'll get better services at the private school rather than public?

HEATHER SCHMIDT: Yes.

MURMAN: Thank you.

LINEHAN: Thank you, Senator Murman. There any other questions from the committee? Thank you very much for being here.

HEATHER SCHMIDT: All right. Thank you.

LINEHAN: Are there other proponents? Good afternoon.

ELIZABETH DAVIDS: Good afternoon, Senators. My name is Elizabeth Davids, E-l-i-z-a-b-e-t-h D-a-v-i-d-s, and I'm glad to be here testifying in support of Senator Geist's bill that gives more people more options for their children's education. And I'm not a tax expert or a lawyer. It was really helpful to hear that introductory information from Mr. Murante. It was very informative. I just have a question: Just why do Nebraska's taxpayers get the benefit of saving their own money into 529 plans just for college and not for kindergarten through 12th grades? I am an educator, and so I've seen through my experience that it is in grades K through 12 that children spend the most time in school, 1-- 1,032 hours in elementary and middle school each year, 1080 hours in secondary school each year. It is in grades K through 12 that a child's primary worldview is instilled and developed. It is in grades K through 12 that children grow from being young children through the tween stage into teenagers and young adults. It is in grades K through 12 that a child's familial beliefs are either attacked or affirmed by the educational institution that the child attends for 35 to 45 hours each week. It is in grades K through 12 that a child's educational future is cemented. Parents may scrimp and save for those K through 12 years to ultimately pay for an-- for a college education, which they believe will give their child the benefits of a career that they enjoy and they will provide a successful and happy life for them. But if that child cannot get into college because their 13 years of grade school education were insufficient to get them into college, that current 529 plan is worthless. This point, we all know that every educational model does not work for every child. Children are unique individuals with unique needs. Families have unique needs, as well, and unique preferences that guide them, so why shouldn't parents and grandparents be able to use their own 529 money to fund the grade school education that will

be best for their own children and grandchildren? And I think we know that the-- the reason that is, is because the teachers unions in our state have a chokehold on our education system and our children's options. It's not the way it's supposed to be. It's not the way it should be. Parents deserve to plan for their children's best education options, not just for college, but for all the years of their development, for the main 13 years of their educational development. Beginning to experience their best educational options while they're in college is just simply too late. And as we've heard and we'll hear again, middle-class parents are hard hit these days, paying their taxes and paying a lot more because-- everything because of inflation, so they deserve to have access to their own funds throughout their child's entire education, not just when they're fully grown. And again, it was really helpful to hear Mr. Murante's assessment. I doubt-- I significantly doubt that 50 percent of parents across our state are all of a sudden going to have the means to begin saving because this gets passed, so I'm so excited that more parents would have options for their children.

LINEHAN: Thank you. Are there questions from the committee? Seeing none, thank you very much, appreciate it. Are there other proponents?

MERLYN BARTELS: Afternoon, Senators. My name is Merlyn Bartels, M-e-r-l-y-n B-a-r-t-e-l-s. I'm here to support this bill, LB165, because I-- it would give parents an option to save money for their K through 12 students if they have to choose to send their children to a private school. And thank you for the testimony of our State Treasurer here. He actually answered a few questions that I was going to put in my statement here, but I-- my daughter has used tax cafeteria plan or-- excuse me-- flex plans to save for her daycare providers, for her children-- children. So I'm wondering, you know, if we can get some tax benefits on daycare and on a college program with the 529, why can't we help out the K through 12 kids? And after his testimony, I guess it is at a federal level, but it's just the state of Nebraska right now that isn't able to do it, along with a few other states, so I guess I'm asking you to support this and move it on. But also, I guess I would-- was hoping that even the home school kids could be included in this and the parents could have some way of helping with their expenses. I know home schooling and private schools are people's choices, but if there's programs out there that we can have access to, to help pay for some of those expenses or save on our taxes, as was stated, the middle class is getting hit with all kinds of rising cost, so anything would be helpful. So I just urge you to move this forward so Nebraska can be a part of this program. Thank you for your time.

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LINEHAN: Thank you, Mr. Bartels. Are there questions from the committee? Seeing none--

MERLYN BARTELS: Thank you.

LINEHAN: --thank you very much for being here, appreciate it. Are there other proponents? Are there any other proponents? Are there any opponents? Good afternoon.

DE TONACK: Good afternoon, Senator Linehan-- Linehan and members of the Revenue Committee. For the record, my name is De, D-e, Tonack, T-o-n-a-c-k, and I am a retired educator from Lincoln. My last hat I wore was at the science focus program, one of the many exciting programs that Lincoln Public Schools offer. I'm here today representing the Nebraska State Education Association in opposition to LB165, but we have a specific request for this bill and I think there's some work going on in regard to some amendments. We are generally opposed to the bill, but our primary concern is that the bill only provides a state tax deduction for private K through 12 qualified school expenses. The bill does nothing to incentivize public K through 12 parents to save for qualified expenses related to public schools. That may surprise some of you, that there are additional out-of-pocket expenses related to K through 12 public education, but there are. In another paragraph here, I address that because already it's, what does tuition cover? There's kind of a broad area here that needs to be discussed. Typically, a 529 savings plan is a state-sponsored investment plan that enables parents, grandparents, other relatives to save money for a beneficiary and pay for qualified, education-related expenses usually incurred to attend college. And as of 2017, Congress allowed 529 plans to include public and private school tuition expenses. According to the IRS, in states that have expanded their plans, you can pay for tuition and fees, up to \$10,000 annually, in elementary or secondary K through 12 public, private, or religious schools. The key, though, is that the money must be used for the beneficiary's benefit and it must be used for qualified educational expenses. Now, I am unsure if the IRS has provided guidance in terms of what constitutes a qualified educational expenditure, and our State Treasurer has kind of already alluded to that, but I am sure a group of attorneys could come up with some ideas. Public schools do not charge actual tuition, for sure, so there is still a question on exactly what expenses could be considered qualified. Depending on the course taken, there are required fees associated with some classes and things you take-- and, Senator Kauth, I think you already alluded that to one of your questions-- for

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example, industrial arts, FFA related, show choir performances, to name a few. These fees are not labeled as tuition, but they are required fees associated with some classes. Hopefully, with additional guidance from the IRS or attorneys who work closely with Nebraska's 529 NEST plan, I'm confident they can establish a bright line of what is and is not a public school qualified educational expense. In closing, if the Legislature determines that LB165 should be enacted for private K through 12 qualified expenses, then why not enable parents sending their children to public K through 12 schools also be able to receive an incentive to save money in a 529 plan? Should make the pot just grow a little bigger, shouldn't it? Many parents already have established a 529 plan to save for college, and this change would help increase the overall benefit and use of their savings plans. Thank you. Are there any questions?

LINEHAN: Thank you very much for being here. Are there questions from the committee? Senator Kauth.

KAUTH: So I just have one. So you are for the bill as long as the public school-- hold on--

DE TONACK: OK

KAUTH: --as long as the public school expenses, such as show choir and things like that that go along with being in school, would be considered?

DE TONACK: On behalf of NSEA, because that's for whom I'm speaking--

KAUTH: Correct.

DE TONACK: --this afternoon, I could say that we will be at that time neutral on the bill.

KAUTH: OK. Thank you.

LINEHAN: Thank you, Senator Kauth. Senator Murman.

MURMAN: Thanks a lot. I'm not-- I think you kind of mentioned it, but you-- do you know if that's done in any other states or if that's legal in Nebraska or in-- with the federal legislation?

DE TONACK: Well, it seems to me, and I think the representative from Union Bank was talking more about that, and so the specifics, the federal does allow it. And I don't have the data to say what each

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state does, but Senator Geist might, or we'll certainly work on that question, won't we? We'll work on that.

MURMAN: OK.

DE TONACK: Is that good enough for now?

MURMAN: Yeah. Sure.

DE TONACK: OK.

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

DE TONACK: Thank you.

LINEHAN: Are there other opponents? Good afternoon.

CONNIE KNOCHE: Good afternoon. Chairwoman Linehan and members of the Revenue Committee, my name is Connie Knoche; it's C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director for OpenSky Policy Institute. And we're here today in opposition to LB165 for several reasons, including the cost to the state and that LB165 creates a new tax benefit that will subsidize private K-12 education. While federal law now allows that 529 plans be used for private K-12 tuition, LB165 goes a step further by also creating a new state-level tax deduction for the private K-12 education tuition. 529 education savings plans were created to encourage long-term savings for higher education. LB165 will turn NEST into a pass-through entity so that families with children in private school can and will use these accounts to receive an immediate tax deduction for their private school tuition. For example, under LB165, a taxpayer can put \$10,000 into their child's NEST account and then turn around and withdraw that same amount for private K-12 tuition, as there's no requirement that the funds remain in the 529 account for any length of time. And this way, the savings plan is not being utilized to generate long-term savings benefits for the beneficiary, as originally intended, but instead as an immediate tax deduction to the taxpayer, a taxpayer who's likely to be wealthy, as 78 percent of Nebraskans claiming a NEST deduction in 2020 had incomes over \$100,000. We do not support a further narrowing of our state's income tax base with the creation of the Nebraska tax deduction for 529 contributions used to support private school tuition. And thank you for your time, and I'm happy to answer any questions.

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

von GILLERN: Thank you for your testimony today. Just curious, is
OpenSky opposed to 529 dollars being used for private college tuition?

CONNIE KNOCHE: No.

von GILLERN: OK. OK. Thank you.

CONNIE KNOCHE: It's just a new tax deduction.

von GILLERN: Pardon me?

CONNIE KNOCHE: Just for the new tax deduction.

von GILLERN: Thank you.

LINEHAN: Are there other questions? Thank you, Senator von Gillern.
Sorry. Are there other questions? So OpenSky thinks a family that
makes over \$100,000 is wealthy?

CONNIE KNOCHE: No. That's not what we're saying, but that the majority
of the people that are contributing to these plans in Nebraska have
incomes over \$100,000.

LINEHAN: I think you said-- maybe I misunderstood-- that you thought
it went mostly to wealthy families, and then the next sentence was
"families with over 100,000 in income." I think--

CONNIE KNOCHE: Most families in Nebraska don't make over \$100,000, so
I guess we would consider that--

LINEHAN: But then-- I-- I agree. My-

CONNIE KNOCHE: Yeah.

LINEHAN: But my question is, does OpenSky think over \$100,000 is
wealthy?

CONNIE KNOCHE: I guess, in this instance, yes.

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

CONNIE KNOCHE: OK.

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LINEHAN: Senator Murman.

MURMAN: Yeah. Thanks a lot for your testimony. I think you mentioned that you thought it could be taken advantage of by a family putting money in the account and taking it out immediately for tuition. It seems like to me that wouldn't be allowed, but you--

CONNIE KNOCHE: Well--

MURMAN: --you think that is allowed?

CONNIE KNOCHE: Well, you heard the folks testifying before me about the different ideas of what they would possibly use the account for, so there is room for abuse in that regard if something like that would be allowed in Nebraska.

MURMAN: Yeah, I would assume there is some kind of rule against that. But-- but I don't know. That's-- that--

CONNIE KNOCHE: Yeah, I--

MURMAN: That's why I'm asking. I thought--

CONNIE KNOCHE: Yeah.

MURMAN: Doesn't seem like that would be right, but thank you.

CONNIE KNOCHE: Yeah.

LINEHAN: Thank you, Senator Murman. Other questions from the committee? [INAUDIBLE] Thank you very much. I think we said this at the beginning, but-- you're fine-- but we're at the end of hearings, so, like, people have two or three hearings a day that they have to testify, so don't-- people being gone is no reflection on the importance of these hearings. It's just everybody's got bills to introduce in other committees. Thank you. Opponents? Good afternoon.

DUNIXI GUERECA: Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Dunixi Guereca. I'm the executive director of Stand for Schools, a nonprofit dedicated to advancing public education here in Nebraska. Stand for Schools is here in opposition of LB165 because it mainly benefits families who can already afford to send their kids to private school. It would cost the State General Fund significantly, and thereby harming public schools, and is-- and its benefit a single bank at taxpayer expense. These form of tax credits

that other states have been shown again and again to almost exclusively benefit families who can already afford to send their kids to private schools for the simple reason that you need money to save to take advantage of the tax benefit. This is reflected in statistics that would-- about who currently uses college savings plans and that the bill would take advantage-- and that this bill would change: In 2020, 78 percent, or the 1,500-- 1,500-- 15,190 of the 19,410 filers already taking advantage of the plan, had household incomes over \$100,000. Those filers claimed over \$70 million in tax benefits of-- or 86 percent of the total tax benefits that year. Opponents say the bill-- say this bill will simply bring state taxes in line with federal provisions that expand the scope of 529 savings plans to K through 12 private education. However, state-level tax credits up to \$10,000 a year for the use of these accounts would have nothing to do for the federal tax reform and would cost Nebraskans millions each year. If you're a family already paying private school tuition, why wouldn't you open a 529 plan under this bill? You can make a deposit on December 31, 2023, and withdraw it on January 1, 2024, and receive full tax benefits. That cost falls sole-- squarely on the taxpayer. Finally, we have serious concerns about the benefit that this bill is to a single financial institution. Union Bank & Trust is the sole provider of the 529 savings plan in Nebraska. We are troubled by the provision on page 21, line 17, that establishes that the State Treasurer or his or her designee may, quote, establish, impose and collect administrative fees and charges and collect-- in connection with transactions of the trust and provide for reasonable service charges, imposing penalties for cancellation and late payment with respect to participation agreements. This section appears to invite Union Bank or subsequent providers to work directly with the State Treasurer to set bank fees on 529 accounts at whatever level they choose and taxpayers will have to foot the bill. There's no opportunity for public input, comment or oversight of this process. For those reasons, we oppose LB165 and urge you not to vote it out of committee. Thank you. We'll take any questions.

LINEHAN: Thank you. I forgot to have you-- can you spell your name?

DUNIXI GUERECAS: Oh.

LINEHAN: I know you've done this with me--

DUNIXI GUERECAS: I-- sorry.

LINEHAN: --but [INAUDIBLE]

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DUNIXI GUERECA: D-u-n-i-x-i; last name, G-u-e-r-e-c-a. Sorry about that, Chair.

LINEHAN: That's OK. It helps that you have written testimony. Your paragraph three-- I'm sorry. Are there other questions from the committee? Senator Kauth.

KAUTH: I'll have one. So thank you very much. So I'm going to ask you the question I asked the NSEA. If public school fees were allowed, are-- are included in this, and so these could be used to help kids who are in public school afford to do those extra things, would you then be neutral or in favor?

DUNIXI GUERECA: We would still be opposed to it, Senator.

KAUTH: You would still be opposed. And I haven't heard your organization before. Who funds you?

DUNIXI GUERECA: We are funded almost exclusively by in-state organizations. Unfortunately, my executive director [INAUDIBLE] who lives in Michigan that chips in a donation every year, so I can't say I'm fully funded by in-state, but various organizations within Nebraska,

KAUTH: Which organizations?

DUNIXI GUERECA: I have several funders, Senator. I could certainly send my list of my funders to you, if you'd like.

KAUTH: OK, I would like that.

DUNIXI GUERECA: OK.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Have you had to file a 990, right? Your donors have to file 990s?

DUNIXI GUERECA: Yes.

LINEHAN: Yeah, so that's public.

DUNIXI GUERECA: Yep.

LINEHAN: So I don't understand. I mean, I think I understand. But on your-- this is reflected in statistics about who currently uses

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college savings plans this bill would change: in 2020, 78 percent, 15,190, of the 19,000 filers take advantage of the plan. Who are the 19,410 filers?

DUNIXI GUERECAS: The people that filed to use the college savings plans.

LINEHAN: So 78 percent of them make over \$100,000? Is that what you're saying here?

DUNIXI GUERECAS: Correct.

LINEHAN: So 22 percent of them are under \$100,000?

DUNIXI GUERECAS: Correct, yes.

LINEHAN: OK, so-- [PHONE RINGING] OK, that's not OK. Thank you. And then this number, \$70 million in tax benefits, OK, so 15,000, a little over 15,000 people got \$70 million in tax benefits?

DUNIXI GUERECAS: According to the Nebraska Department of Revenue, yes, Senator.

LINEHAN: Would you check, dig a little deeper on that, because--

DUNIXI GUERECAS: Yeah, I'll-- I'll-- I'll get you the breakdown of those numbers.

LINEHAN: --because that's-- if you do-- do the division, and I can't do it in my head, but I find that kind of--

DUNIXI GUERECAS: I'll get you a note.

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

DUNIXI GUERECAS: Thanks, Senator.

LINEHAN: Are there any other opponents? Is there anyone wishing to testify in the neutral position? Senator Geist, would you like to close?

GEIST: I would. OK, I would like to comment, too, about some of the testimony. For one thing, I'll tell you, as probably someone that would be termed as wealthy because we make over \$100,000 a year, there are many better options for investments than this. If I want to make a

buck, I don't do this. I do this to help my children, who are not advantaged, to be able to send their children to the school of their choice, which is my right as a grandparent, saving my money for my children's children's education. And I'll also comment that, because my children are very good parents and they are sending their kids to a place where they believe they'll thrive, these children are thriving more than we have ever seen them thrive. They're ages 15, 10 and 7. They were three very introverted children, afraid to speak up in public, and they have become leaders in their school. They have become leaders in their community and their youth group. And it's so gratifying to see the changes in these kids in less than a school year. My husband and I have the capacity to help them, my children, who cannot afford to send these kids to private school. So what they did is they sold their home and the profit that they made on the home that they sold, they used to send their kids to school. So as a grandparent who's saving for my children's children's education and other states allow, I could move my 529 plan to another state, but I want to benefit my state. So I believe, in line with federal guidelines, this is such a commonsense request to ask our state to conform with the federal guidelines so grandparents like me can help their kids who cannot afford the choice that they want to make for their school, to be able to make that choice. I'd also challenge, how does this hurt my public school? My public school is still getting my tax dollars. They're getting my kids' tax dollars. I'm not hurting my school. I'm helping my grandkids, and that is my highest responsibility as a grandparent. So I would ask that you as a committee would con-- carefully consider passing this out of committee. It's a very commonsense bill. Thank you, Madam Chair.

LINEHAN: Thank you, Senator Geist. Are there any questions from the committee? Seeing none, oh, we did have [INAUDIBLE] We had ten proponents, one opponent and no one in neutral position.

GEIST: Thank you.

LINEHAN: So thank you very much. With that, we'll bring the hearing on LB165 to a close. And our next hearing is-- LB616. Senator McDonnell.

McDONNELL: Thank you. Chairperson Linehan. Members of the committee, my name's Mike McDonnell, M-i-k-e M-c-D-o-n-n-e-l-l. I represent Legislative District 5, south Omaha. LB616, which aligns our business incentives with Creating Helpful Incentives to Produce Semiconductors, CHIPS, for America Act is in order to give a Nebraska-based applicant for federal investment the greatest chance of successful application

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with the United States Department of Commerce. The Creating Helpful Incentives to Produce Semiconductors and Science Act 2000-- of 2022, CHIPS Act, was passed in July of 2022 and signed into law in August of '22. This landmark bipartisan legislation creates an im-- immense opportunity for Nebraska, a chance to make the "Silicon Prairie" a real thing. LB616 and its companion bill, LB617, enabled Nebraska Department of Economic Development to match any federal funds awarded through the bipartisan CHIPS Act of 2022 to a semiconductor manufacturing company locating within the state. These bills align our current economic development policy to better demonstrate to the United States Department of Commerce and semiconductor manufacturers that Nebraska is an engaged and willing partner in the securing a domestic supply chain of semiconductors and microprocessors components by-- LB616 allows the Department of Economic Development to match any funds a company is awarded through the Department of Commerce. The-- the amount of the word, when combined with all other eligible state funds and incentives, is capped at 25 percent of the total cost of the project. In order to mirror the requirements of CHIPS Act, five-tenths of 1 percent of the amount awarded shall be awarded to the educational institution for the purpose of assisting a Nebraska-based covered entity with the obligation for domestic semiconductor workforce development. Further requirements are to work within eligible economic disadvantages [SIC] areas and to partner with a community college for workforce development, which is a component of-- that's covered in LB617, also included in language to allow to a covered entity to utilize awards granted through the ImagiNE Nebraska Act and to pay revenue bonds authorized by an inland port. Since I started working on this legislation over the summer, we have heard from a large number of companies interested in locating their domestic production in Nebraska should this legislation be passed. We've provided information from nine of those companies who were the most interested and the furthest along in their plans to UNO's College of Business to do an economic impact study. I have handed that executive summary of that study out to this committee. The results of this study are jaw-dropping. The economic analysis predicts that the plans of these nine companies will increase Nebraska's GDP by over \$2.7 billion, create over 17,000 jobs, and add \$172 million to the annual tax revenue. In addition to this, the report estimated 26,000 jobs and \$2 billion increase in Nebraska's GDP job-- from construction alone. We also know of a number of companies that are critical in the semiconductor supply chain that are planning on following these companies to wherever-- wherever they end up locating, but were not included in the UNO study. As we all know, the-- and-- and this committee is well aware of, we need to grow this

state in order to lower the overall tax burden felt by Nebraska families. The CHIPS for Americans [SIC] Act is a once-in-a-generation opportunity for us to do just that. The semiconductor industry is a core component of America's economic future, a key component of precision agriculture, and vital for our national security. You will hear testimony about how this bill was drafted at the federal level within the Heartland-- with the Heartland in mind. This is because we are the best prepared to do this work, meet the eligibility guidelines, and build this-- build this economy. Both of these bills were drafted to put Nebraska at the head of the pack of the states currently competing for this industry. We are doing this by fully aligning our vast economic development tools to best support a company's application with the Department of Commerce. In order to be eligible under the CHIPS for America Act, companies are required to demonstrate financial support from state and local governments in addition to their private sector financing. Our legislation is deliberately structured so that the semiconductor companies can maximize their chances of federal approval by having Nebraska as their partner. The U.S. Department of Commerce will allo-- will be allocating \$50 billion to invest in this industry this year, and we are only one of a handful of states in a position to help this industry secure a qualified, eligible applicant based on the requirements of the federal legislation. This is due to the requirement that applicants guarantee workers in neglected communities obtain equal employment and training opportunities for semiconductor jobs. This includes rural-- rural workers. Consequently, the states with fewer semiconductor companies, like Nebraska, are offered a notable advantage under this outlined eligible criteria when submitting an application to the Department of Commerce. If this proposed legislation passes, Nebraska will experience its most profitable and advantageous economic opportunity since corn. Also, Nebraska investment would be the last dollar in, so both federal approval and the private financing required would have to be secured before any financial investment by our state. Here to testify in support it is Mr. Thomas Goldberg, who was one of the principal drafters of the U.S. CHIPS for America Act. Mr. Goldberg served as a member of the National Security Council staff under President Ronald Reagan and George H.W. Bush. He's our subject matter expert on this leg-- legislation and is helping us make sure that we have all the information we need to best align our investments to position Nebraska as a leading partner in building the domestic semiconductor industry. Also here to testify is Randy Schmailz, who is the president of Metro Community College. Randy will talk about the workforce training needs

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of the semiconductor industry and potential programming they would put together. It should be noted that, while we're-- while there is a requirement for eligible companies to make significant investments into research-based educational components, as well as 90 percent of the jobs that would be created under this bill are anticipated to only require a two-year technical degree. This is an opportunity of a generation, possibly two generations. The idea of what the federal government has done, set aside the \$50-plus-billion, trying to make sure that we look at what happened. And-- and the semiconductors are everywhere we look, from your telephone to your coffee maker to your-- your vehicles to national security with-- with-- with missiles. So the idea of us being part of that, but the economic impact, as I mentioned, when UNO did those-- that-- those numbers and came back, their study from their business school, and where we're looking at 17,000-plus jobs and \$2-- \$2 billion to our GDP, I mean even if that's half right, that's a game changer for the next generation. The sister bill of LB617 that was in Business-- or was in Banking, and President Schmailzl testified on that and others, will let you know more information about that, but that's more of the education side. And we wanted to make sure that we-- we're bringing these two together to try to make sure you have all the-- the-- all the information. But when I say that it's the biggest economic impact, could be, since-- to the state since corn, I-- I believe it. I'm here to answer your questions and I'll be here to close.

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

KAUTH: Thank you. Is this your priority bill?

McDONNELL: It's going to be-- yes, it's going to be my priority.

KAUTH: OK. Thank you.

McDONNELL: When I say that, it's a sister with LB617, which LB617 would be a priority, and I want to talk to the Chairperson of this committee about making sure that we bring those back together. So to answer your question fully, these two would be combined into my priority bill, hopefully, so.

LINEHAN: OK. But the other bill is in Banking?

McDONNELL: Banking, and I have a number of issues about how that happened, but I'm not going to discuss them today, but, yes--

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LINEHAN: OK.

McDONNELL: --it's basically this bill and-- and the bill in Banking, LB617 and LB616.

LINEHAN: OK. All right. Thank you very much. So we will have proponents. Stephanie.

THOMAS R. GOLDBERG: Good afternoon to you, too, Chairman Linehan, as we may-- did not meet, but I worked in the Senate, as well, during the time of your service there and it's nice to meet a fellow alumnus. My name is Thomas R. Goldberg, T-h-o-m-a-s, "R" for the middle initial, Goldberg, G-o-l-d-b-e-r-g. I'm one of the principal authors of the CHIPS for America Act, which is the authorization legislation that enables the programs that Senator O'Donnell [SIC] just described to you. I'm going to deviate from my testimony in-- in writing to inform you that, as of Tuesday morning, the Commerce Department has issued a solicitation to the companies that will be building fabrication facilities. These are the factories in which microchips are, in fact, created, and they are looking for letters of intent to submit a proposal in the next 21 days. Thereafter, once these letters are submitted, those res-- respondents who issue such a letter of intent will then be required within 21 days of receipt of that letter by Commerce Department to issue a full proposal. Thirty-nine billion of the 50 that the senator just mentioned is immediately at stake, and so we issue-- we urge you strongly to enact this legislation in order to enable the state of Nebraska to be considered a partner, because under the rules of eligibility for the law as written, they-- the partnership must exist between a public entity, the state of Nebraska, the covered entity, an enterprise, a company, and technical schools. These are mandatory requirements. They cannot be obviated in any way. In order to get through those eligibility criteria, we need to have the ability of the state to enter into some form of letter of intent or some other form of agreement with the covered enterprises in order for that to go forward. So there's a great deal at stake for Nebraska. So I want to now emphasize a couple of things. One of the companies coming here, the one that I am representing here today, is called Nantero. Nantero is the inventor of carbon nanotube-based microelectronics. This is your game changer in all communications going forward and in all memory going forward. And you will see this, whether it emerges from Nebraska or another location in the United States, as the central technology upon which all future microelectronic devices are built. The founders of Nantero, myself included, are-- are now working with a new owner who was born and

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raised in Nebraska and wants to come home, currently lives in-- in Nixa, Missouri, went to Missouri State. But he wants to come home and he wants me to relay that to you. His name is Trent Overhue. And-- and some of you may know his parents, Frank and Robi. But in any event, this is his greatest wish. If there is a way for you to move this legislation, not just from committee but through the Senate and in-- and present it to the Governor for signature within the next 30 days, then I think Nebraska is going to be home to one of the very, very greatest technological advancements. No, it's not a new technology, but it's new to you. We put this, many years ago, into the most secure satellite systems that we ever built. We have it is part of the Juno spacecraft that had an estimated life of three years and has now been operating close to 60. That's all because of the material systems that went into that, of which nanotubes was the core component. So this is what is at stake. This is what we want this-- this committee, this is what we want the Legislature in the state of Nebraska to undertake, to enable all of the programs that would be the incentive programs that the state would essentially put forward for Nantero's benefit, and all of the others named by Senator O'Donnell [SIC] already exist. It's simply the matter of getting them essentially in order and [INAUDIBLE]. Lastly, you're competing against states like Kansas and Iowa, neighboring states that have programs in place that they are executing as we speak. In the case of Kansas, close to \$2 billion is being put forward. And with that, I would gladly answer any of your questions, either on the construct of the bill or any of those other comments I made.

LINEHAN: Thank you. Yes, Senator Kauth.

KAUTH: Thank you, Chair Linehan. Can you explain the 21 days? When does-- when is the last day to send the LOI?

THOMAS R. GOLDBERG: It will be on the-- the last day eligible for the LOI is the 25th, I think, of this month.

KAUTH: March 25. And then so if you get it in on March 25, 21 days later, you have to have a full proposal.

THOMAS R. GOLDBERG: Correct.

KAUTH: And does-- is the-- does a proposal need to say we already have this legislation in place or can it say we are intending to pass this legislation?

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THOMAS R. GOLDBERG: It is going to be my considered opinion that unless the legislation has been passed and signed, that an LOI will not be considered by the Commerce Department as viable because it cannot be audited and determined to exist.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the committee? I have one. You invited me. Committee staff?

THOMAS R. GOLDBERG: No. I'm a SME. I'm-- I come out of the intelligence community of the National Security Council. I sit behind pro staff and do most of the structural drafting, and then that's, as you know--

LINEHAN: On the Intel Committee?

THOMAS R. GOLDBERG: No, I did this for Armed Services, Appropriations, Select Committee on Intelligence and the like, and did some of this direct and some just in an advisory capacity. In the drafting of this, I did this primarily with Senator Rubio, Cornyn, Warner, King as the principal authors, as it went through many iterations going from the Committee on Foreign Relations first into the Select Committee on Intelligence and then finally into the Committee on Armed Services and the Senate.

LINEHAN: OK. All right. Thank you very much. Any other questions from the committee? Seeing none, thank you very much for being here.

THOMAS R. GOLDBERG: You're very welcome. Thank you.

LINEHAN: We're making you work hard this year.

RANDY SCHMAILZL: Frequent flier.

LINEHAN: Good afternoon.

RANDY SCHMAILZL: Good afternoon, Chair Lineman-- Linehan. Good afternoon to the committee also. My name is Randy Schmailzl, R-a-n-d-y S-c-h-m-a-i-l-z-l. I serve as president of Metropolitan Community College. MCC of course strongly supports LB616 and our-- our job in this is education and support education and bringing education to the table, not only Metro but the state community colleges and the university. The Silicon Heartland Project is proposed for the Omaha, Nebraska, area. Metro serves four counties around Omaha: Dodge,

Douglas, Sarpy, and Washington. We're home to 42 percent of the state's population. We have the largest segment of Nebraska's existing labor pool, including individuals that are required-- expressly designed in the ship-- in the CHIP Act, poverty and disadvantaged. Metro is also the state's largest public community college and most diverse institution in higher education in the region. Our students live and work in Nebraska, and our graduates tend to stay and build their families and businesses and careers in our four-county area. The college's purpose is to provide high-quality programs and services in basic education, general education, transfer education and, of course, technical trades education for all-- and "all" is an important word because we're an open admissions institution that, by law, by state statute, is required to accept all and try to find a place for them in our society-- accredited by the Higher Learning Commission, which is equal accreditation to the university, Creighton and all the big players. Metro offers more than 100 career certificates, one-year certificates and two-year associate degree programs. We also offer an array of short-term training programs that result in national industry-recognized credentials, as well as internships and apprenticeships developed in partnership with our local industry leaders. We recognize that education and training are essential components when building a vibrant, sustainable manufacturing ecosystem. As a community college, that means the site requirements of the CHIP Act, MCC is committed to fulfilling that and rapidly scaling up programs required to train, retrain, and upskill people within the existing workforce. Metro has repeatedly proven capable of creating and delivering specialized industry-specific instruction to support innovative manufacturing, construction and engineering. We welcome the opportunity to do the same for the-- this important industry. Metro's network of relationships and major employers and educational partners and sector specializations uniquely position the college to connect community stakeholders to projects like this. We normally are a catalyst for col-- collaboration and a broad-scale commitment. Metro marshals wide support as proposed for this-- this project, so, for example, the curriculum that we've developed will be shared with the other five state community colleges so they can use it and that way, we'll have statewide curriculum. And UNO becomes an important player here because we're going to need more instructors qualified to teach these classes, and that comes from the University of Nebraska at Omaha, our premier educational partner. They also will upscale in the upper-level programs because as these-- as these factories develop, there'll be more of a need for doctoral level and master's level. In ending, the Silicon Heartland project breakthroughs is the-- is at the

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forefront of modern microchip manufacturing. It creates the opportunity to compete with current technologies but surpasses and provides a pathway for the United States to establish market dominance in a new-generation semiconductor environment. Metro Community College stands ready to help this statewide effort, and this is a statewide effort.

LINEHAN: Thank you.

RANDY SCHMAILZL: Thanks.

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

RANDY SCHMAILZL: Thank you.

LINEHAN: Other proponents?

VETA JEFFERY: Thank you.

LINEHAN: Good afternoon.

VETA JEFFERY: Good afternoon, Chairwoman Linehan, members of the committee. I am Veta Jeffery, V, as in "victory," e-t-a J-e-f-f-e-r-y. I am the president and CEO of the Greater Omaha Chamber, and on this matter, I'm also testifying today on behalf of the Nebraska Chamber of Commerce and the Lincoln Chamber of Commerce as well. Thank you for the opportunity to speak to you today in support of LB616, and our thanks to Senator McDonnell for bringing this to committee for your consideration. With the federal CHIPS Act, Nebraska is presented with tremendous opportunity. This is an opportunity to create new jobs, as we've already talked about today, spur new investment, and enhance community development. With LB616, we have an opportunity to help facilitate this through the proven ImagiNE Nebraska Act. Employment and investment in high-tech pursuits, such as chip production, will have benefits beyond the immediate and considerable economic impact. It will significantly boost the state's technology sector, a boost that extends to Nebraska's educational institutions as well. It's not only through the financial and cooperative positions, but also the broader effects: getting students interested in high-tech manufacturing; giving employers and employees and colleges and high schools a promising pathway into this sector. Integral to this act, community and regional development, workforce enhancements increase research and development and national security implications, a key part of the Ne-- Nebraska economy. Altogether, it will be one of the

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more substantial plus in our reputation as a place to live or do business and a place to call home. This is something we need to be ready for. As mentioned, the U.S. Department of Commerce released the CHIPS Act application on Tuesday, and it will require an in-depth process. Businesses have a big task in making a case for Nebraska so that we can be competitive with our neighboring states, and it will help knowing that Nebraska is there to assist in this as well. We ask that you act favorably on LB616, and we thank you for your time and attention, and I'd be happy to answer any questions if there are any.

LINEHAN: Thank you very much. And there are questions from the committee? Senator von Gillern.

von GILLERN: Yeah, thank you for being here today, for your testimony. We heard testimony, I think it was yesterday, on an-- on an unrelated bill that, I would say, proposed and/or threatened to bring 30,000--some jobs to the area. This-- this bill is-- is proposing 17,000, 26,000. Think you're probably-- of the testifiers, you may be in the best position to respond to where those people might be coming from because, as a former employer, particularly in-- in the city of Omaha, it's-- it's challenging to find people. Are you optimistic about being able to fill those jobs?

VETA JEFFERY: So if I can speak to a new resident of Omaha and Nebraska, I'm extremely optimistic because I'm enjoying what I find, and I think that we get to be aggressive in how we attract people to our cities, our-- our towns, and our overall state. I think that all of us, no different than any city, have to be intentional on how we build our educational systems, to build our workforce early on, but also how we sell our community so that when we're attracting individuals here, we're making certain that the others that come with them have a good place to land also. So in our medical system, we have in our-- in our medical system, we have a great ability to attract doctors and high-impact individuals. But usually those of us that move to town come with others, as well, and this is a great opportunity to allow them to find space also. So I think we have a great opportunity before us in how we bring people and how we have the jobs to-- to counter that.

von GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern. Other questions from the committee? Seeing none, thank you very much for being here.

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VETA JEFFERY: Thank you.

LINEHAN: Other proponents? Good afternoon.

RUSTY HIKE: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Rusty Hike. I am the mayor of the city of Bellevue. I appreciate the opportunity to be here today.

LINEHAN: [INAUDIBLE] spell your name. Spell your name. I'm sorry.

RUSTY HIKE: Oh, I'm sorry. R-u-s-t-y H-i-k-e. I appreciate the opportunity to be here today to testify in support of LB616 on behalf of the city of Bellevue and the United Cities of Sarpy County. That's a coalition of the five mayors of the five municipalities in Sarpy County: Bellevue, Papillion, La Vista, Springfield, and Gretna. LB616 will create a mechanism to allow for funds to be utilized for workforce training and infrastructure development expenses incurred by applicants for incentives under the Imagine Nebraska Act. This bill will help to grow the semiconductor industry in Nebraska. There are several benefits to investing in this industry that will help to provide high-paying jobs for Nebraska citizens. The 2022 CHIP Act was created and passed by the United States Congress to facilitate the growth and development of semiconductor manufacturing in the United States. This act includes federal support in the forms of semiconductor manufacturing grants, research investments, and an investment of the tax credit for chip manufacturing. Therefore, there is potential for great economic impact by attracting new semiconductor manufacturers to the state of Nebraska. Together, these industries are expected to invest a total of \$5.55 billion in the construction of new-- of new facilities in the production of or-- in the production and operation of semiconductor manufacturing. Nebraska-- Nebraska is expected to gain 26,789 jobs from construction, which will add \$2.07 billion to Nebraska's gross domestic product over the time period the construction takes place. Additionally, about 17,402 jobs are expected to be created in Nebraska on an ongoing basis from new and ongoing semiconductor manufacturing. From this economic activity, Nebraska's gross domestic product will increase by \$2.71 billion. Additionally, significant state, county and local tax government revenue are expected to be generated through sales, property and income tax collections. To be specific, an estimated \$106.69 million in tax revenue from the construction of the manufacturing facilities over the construction time period will be generated. The semiconductor manufacturing operations themselves will add \$172.38 million in tax revenue to state, county and local coffers annually. Nebraska has one

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of the nation's lowest unemployment rates at 2.5 percent. Though a low unemployment rate is often recognized as a sign of economic success, it also highlights a growing problem. The low unemployment rate is indicative of how-- of low and slow-growing labor force, which may be a major change if-- which may be a major change to future economic growth in the state. By inviting the semiconductor industry into the state, we would be ensuring a growing job base for our citizens. As Nebraska looks towards the future, the attraction and creation of high-value-added jobs is critical to address its labor force challenges. Good-paying high-tech jobs will work to both attract and retain labor talent and support many other sectors. Supporting expansion of semiconductor manufacturing in Nebraska will greatly enhance the long-term growth of its economy, which has the potential to improve the state's economic competitiveness into the future. I hope you will see today that LB616 is critical to the development and future prosperity of the state and look favorably upon it today. I appreciate your time today and I'd be glad to answer any questions if I can.

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

RUSTY HIKE: Thank you. Have a good afternoon.

LINEHAN: Are there other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? Senator McDonnell, would you please close. Let me check if we have any letters.

_____ : No, we don't.

LINEHAN: If not--

McDONNELL: Thank you. Trying to follow up on a couple of the questions, Senator von Gillern, the idea of the workforce and-- and the opportunity for those people, 90 percent of these jobs would be a two-year-- a degree, technical degree. And for those kids that are right now in the state of Nebraska, just think how exciting that would be for them, as-- as sophomores and juniors and seniors, looking at the future in these kind of jobs with this kind of-- these kind of salary, and then the-- again, just being part of that, the future with the semiconductors and that kind of technology. We are behind. We are behind other states. There's been discussions and by some of these business leaders that have gone into other states and they're willing to offer through a Governor, through a handshake, \$90 million. They

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come back into the state of Nebraska and you start talking about Department of Economic Development, and we're looking at \$250,000. I mean, we're not even competing, but also looking at as-- as a-- as a positive that it is halftime of the football game, and we are behind. We are way behind, but we have the other team's playbook. We know what they're doing and we have this opportunity. And again, it's a-- it's a-- it's a short runway. We're looking at having to move very quickly and-- and with Mr. Goldberg here, who's been very helpful and was part of writing this legislation, is there a way for us to-- to extend that, end of March? Hopefully, because we all know that's-- that's not very realistic, how things are going this session or any session. So the opportunity is here for our people. One thing we can offer, we offer people that have a great work ethic, and that's one thing I think these companies realize, that if they can come and-- and the-- again, the legislation on the federal level was more designed to try to get more of that Midwest involved and then, of course, areas that were struggling. We have both those in the state. We have areas in our state that are struggling, but we also have that work ethic, wherever part of the state you go to, east, west, north, south. And that idea of bringing these kind of jobs and making this kind of impact for our future is right in front of us, and it's not going to be easy, but it is-- it is-- it is definitely possible for us to-- to land these companies and-- and change our state for the next two generations. We're here to answer your questions.

LINEHAN: Thank you, Senator McDonnell. Are there any questions?
Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thanks for bringing the bill, Mike-- excuse me, sorry, Senator McDonnell.

McDONNELL: I've been called worse. [LAUGHTER]

ALBRECHT: So formal. OK, so-- so it's like we-- we're under this timeline and we are also under a lot of other pressures in other areas of this building. So is it-- is this concept, this idea, has it been presented to the Department of Economic Development?

McDONNELL: Yes. Tony Goins has been a great partner in this--

ALBRECHT: OK.

McDONNELL: --and having meetings with-- with Tony, who's very supportive and he's been very helpful, so, yes.

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ALBRECHT: OK. So-- so what is it that you have in the banking area that marries this bill?

McDONNELL: So we-- we have the-- I-- two bills, LB616 and LB617, the education part, component of it, and this-- and I don't know how it quite ended up with two different committees, but it did, so I believe we have the support of the-- the Banking Committee on LB617; now LB616, with the idea of things we have in place, with Imagine Nebraska and the inland ports, with the A bill, the idea of-- of bonding. We think bringing these two together-- again, Randy Schmailzl testified on-- on both bills and I believe that, with that education component, with our private sector component, with us making that-- that landing strip as wide as possible for these companies and as attractive as possible, getting them here, and then by the end of the year, of course, the federal government wants to get that \$50 billion out of D.C. and throughout the country for these jobs to start being created.

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. Other questions from the committee? Senator Murman.

MURMAN: Yeah, thanks for bringing this. I think in one of the testimonies for-- Kansas had like \$2 billion pledged to-- to this. It seems like that's-- would be kind of hard to compete with, with Nebraska.

McDONNELL: That's one of those playbooks I was referencing that-- that we have their playbook at halftime. Well, and-- and you look at our opportunity, though, through other avenues, through Imagine Nebraska, through the inland ports bill, the bond, I mean, we do have other-- we have other tools in our toolbox that are a little different. And-- and looking at something like what's going on in Kansas and looking at the distance between Nebraska and Kansas and the ability to possibly work together, that's also something. We're not-- there's-- there's ways, I think, to-- different paths to victory, and just because another state's out in front of us, doesn't mean that we can't catch them or partner with them.

MURMAN: Yeah, and of course there's a lot of factors that would be considered, so hopefully Nebraska would be ahead in-- in a lot of ways. Thanks.

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LINEHAN: Thank you, Senator Murman. Are there other questions from the committee? I'm having a hard time understanding the fiscal note.

McDONNELL: So you have \$20 million on LB617.

LINEHAN: OK.

McDONNELL: And you have-- on this one, what we're trying to do is utilize the tools that we have here currently, and through Imagine Nebraska and through the inland ports, be able to bond and having that bonding authority, that's where we're trying to-- to be more attractive than other states based on the revenue.

LINEHAN: So you're asking us basically to make changes in Imagine and the [INAUDIBLE]

McDONNELL: We're trying to utilize Imagine and also the bonding authority. Both bi-- both-- both laws are in place at this time.

LINEHAN: Right.

McDONNELL: Yes.

LINEHAN: So this is manufacturing, right, so it would qualify under Imagine?

McDONNELL: Yes.

LINEHAN: OK. All right. Somebody's going to have to draw me a diagram.

McDONNELL: Well-- well, we can-- we can meet in the morning, so thank you.

LINEHAN: OK. All right. Any other questions? Thank you very much--

McDONNELL: Thank you.

LINEHAN: --for bringing this, appreciate it.

ALBRECHT: Any letters?

LINEHAN: Nope, we have no letters. So with that-- are you going somewhere, von Gillern?

von GILLERN: No, just passing a note real quick.

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LINEHAN: With that, we close the hearing on LB616. OK. Can we-- can we take a five-minute break? Or you can start without me.

[BREAK]

LINEHAN: [RECORDER MALFUNCTION] know where everybody is.

MURMAN: Well, ready to go?

LINEHAN: We're ready to go.

MURMAN: Good afternoon, Chairman Linehan and member [SIC] of the Revenue Committee. My name is Senator Dave Murman, and I'm here to introduce LB699 and LR30CA to change the value of real commercial property to zero in the context of being taxed by school districts. Did I spell my name?

LINEHAN: No, you didn't.

MURMAN: I didn't think so.

LINEHAN: That's OK.

MURMAN: OK. It's D-a-v-e M-u-r-m-a-n. The reason for this is simple. Children do not grow in fields, in factories, in offices, in hotels or in businesses. Children grow up in residential properties, in homes and apartments. Commercial property, especially the farmers I represent in District 38, are being gouged by an unfair tax system. Commercial property owners are paying a larger share of total tax revenue. As I mentioned, businesses, farms and factories do not raise children. Parents who live in residential properties do. One solution for this continuing problem, only to-- only allow school districts to tax residential property within their political subdivisions. Perhaps LB699 and LR30CA would then serve as the motivation to fix a litany of issues with our school funding formula. For example, rural schools in my district increasingly lose out on equalization aid because of the skyrocketing value of ag land property over the last 15 years. Commercial property is calculated as a resource in our TEEOSA formula. Perhaps by changing our constitution and valuing the property at zero, we would have a more robust exchange about true equity in our school financing and would additionally save farmers and business owners alike the burden of Nebraska-- of the Nebraska property tax climate. I thank you for indulging me this afternoon and I'd be happy to take any questions.

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LINEHAN: Thank you very much, Senator Murman. Are there any questions from the committee? Do you know what percentage of total property taxes is commercial, ag, and then residential?

MURMAN: I think some testifiers behind me might know, but, no, I don't.

LINEHAN: OK. OK. That's all right. I've looked at it before. It's like numbers you can't--

MURMAN: I knew it one time, too, but I hate to say because I don't really remember.

LINEHAN: So-- which would be [INAUDIBLE] probably. I don't know. We'll wait until we know what-- so I won't go down that route.

MURMAN: OK.

LINEHAN: OK. Any other questions from the committee? Seeing none, thank you very much.

MURMAN: Yeah, thank you.

LINEHAN: Are there proponents? Good afternoon.

MERLYN NIELSEN: Good afternoon, Senator Linehan and committee members. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n, and my residence is in the Seward area and I am an ag land owner and a board member of Fair Nebraska. We appreciate Senator Murman's leadership in bringing this bill and the legislative resolution for a hearing today. As a member of Fair Nebraska, this is my sixth year of coming before this committee to talk about issues relating to taxation and school funding. LB699, like LB1242 in last year's session, is the closest we have gotten to the needed fix to relieve the onerous property tax on ag land and commercial property. Taxing can be evaluated on two principles, on the benefit principle, which is individ-- individuals should be taxed in proportion to the benefits they receive, or the ability-to-pay principal, taxes relate-- should be related to people's income or ability to pay. Now, if-- and I'm going to start with making that-- sure you know that's a big "if"-- if we continue-- wish to continue to rely heavily on es-- real estate property taxes to support our schools, I contend that taxing of only residential property to support schools satisfies these two taxing principles. Our present taxing system does not come close. Somehow we need to align taxation more closely to benefits received. Taxes paid should be commensurate

to some degree with benefits received. When thinking about our public K-12 funding and property tax dilemma in Nebraska, I am reminded of the title of a Milton and Rose Friedman book, and that book's title is Tyranny of the Status Quo, Tyranny of the Status Quo. We simply struggle to change. We are forced to deal with a problem that has been evolving with our changing population structure and property ownership and economies. Decades ago, when we were a younger-- much younger state, agriculture land ownership was held by a much greater proportion of our population. Then commercial property increased and, although we still have agricultural and commercial property contributing to our economy, we now have an ever-growing information and technology component in our economy, and this component, the information and technology component, has very little real estate to tax. Thus, it is time-- I mean, I emphasize time-- to change and-- and reform our taxing system to the 21st century. I'll finish with don't let the status quo restrict our imagination, and that includes my imagination as well. We've gotta think outside and, again, adjust ourselves to 2023, as opposed to earlier points in time in Nebraska's history. I really appreciate Senator Linehan and all members of the Revenue Committee for letting me appear before you today to share my strongly supporting position on LB699. And one other comment: New Senators von Gillern, Kauth, and Dungan, of which von Gillern is here, I laid a copy of a research study that we commissioned Dr. Ernie Goss from Creighton to do about four years ago now, but it really lays out what the problem is from an agricultural standpoint. You only have to read the-- the-- the summary in the front

von GILLERN: Thank you.

MERLYN NIELSEN: I'm done, Senator.

LINEHAN: Oh, yes, I'm-- I am. So we're doing both these hearings together, right? OK. So this is on LB699 and LR30CA. I didn't announce that at the beginning. So do we have any questions from the committee? Senator von Gillern.

von GILLERN: New guy does have a question. By the way, Dr. Goss does a terrific job, so I'm-- I'm sure this will be well-documented information. And probably answer to my question is in here, but not having time to consume it, I-- I've certainly modeled the impact on-- on-- on different residents around the state. What-- just off the top of your head, what would the-- what would the impact of this be on a homeowner in Omaha versus one in Kearney versus the homeowner that lives on an ag property?

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MERLYN NIELSEN: Excellent question, and thank you for that, Senator von Gillern. I'll see if I can try and answer all that. I think it will depend on-- well, first of all, I-- I preface that on if: if we stay with the same proportion of real estate collected taxes to fund the schools as we currently use in our various school budgets, why this would have greater impact on a very sparsely populated community than it would in Omaha, just because of what you take-- take out, but it still would have quite an impact in Omaha as well. If I might tell you an example, and this does not cover all those locations in the state, and I do look at those once in awhile because I happen to own property out in the Sandhills, as well as here more closely to Lincoln. I did a study where I looked at taking residential property and apartment houses out of commercial and putting them together and calling that all residential, Senator. And then I took commercial, the rest-- all the rest of commercial and ag land out of providing tax money, and I did that for the Seward district where I happened to live. And when I did that, the levy to support Seward Public Schools was 2.08. OK, jump from 0.9 to 2.08. But I took all the ag land out and the commercial out. OK? I did the same for Lincoln Public Schools and I-- and I took out state-- state support, all the TEEOSA funding, etcetera. I said, let's do it all off of property tax collected only on homes and apartments. Apartments in Lincoln added another 11 percent of value to residential when we did that. When I got done and I did the levy rate to do that in Lincoln, 2.08, exactly the same as Seward. Surprises you, doesn't it? Now why is that? Lincoln gets state aid. Seward has farm ground. They both have commercial. I hope I'm coming close to--

von GILLERN: Yeah, I'm gonna-- you're gonna make me read the book, aren't you?

MERLYN NIELSEN: OK. Happy reading.

von GILLERN: Thank you.

MERLYN NIELSEN: I'll look forward to visiting with you again.

von GILLERN: Thank you, appreciate it.

MERLYN NIELSEN: Thank you.

LINEHAN: So with those numbers, it would seem to me it's about 50/50. Commercial and ag is about 50 percent of property taxes collected, and residential is the other 50 percent--

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MERLYN NIELSEN: In-- in a lot of our counties, it would be.

LINEHAN: --because you--

MERLYN NIELSEN: And if you take-- I think-- it's been a little while since I pulled out that Table 19 out of Department of Revenue, but agriculture across the whole state, as a total for the state, is right around 30 percent.

LINEHAN: OK. And then commercial--

MERLYN NIELSEN: Is somewhere--

LINEHAN: And centrally assessed would be a lot of that, right?

MERLYN NIELSEN: Yeah.

LINEHAN: Did you take out centrally assessed?

MERLYN NIELSEN: The--

LINEHAN: Well, you wouldn't have centrally assessed that much-- it's probably about 50/50.

MERLYN NIELSEN: Yeah, I think you're-- I think you've done a good estimate there, Senator Linehan.

LINEHAN: Yeah, OK. OK. Other questions from the committee? All right, thank you very much for being here.

MERLYN NIELSEN: Thank you for your time.

LINEHAN: Other proponents? Looking around the room, I can almost count. OK. One, two, three, four, five opponents, maybe six. OK, opponents.

von GILLERN: Did you want to do like a pool?

LINEHAN: You go last. Good afternoon.

JON CANNON: Good afternoon. Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, here to testify today in opposition to LB699 and in a neutral capacity to LR30CA. Appreciate Senator Murman bringing this up. I think that these conversations that we have about our tax structure are worth our while, certainly. Our

opposition to LB699 is based on complexity and confusion. So when you get into the guts of how we operate our property tax system, one of the things that-- that I'd like to draw your attention to, that I think is worth looking at, is Nebraska Revised Statute Section 77-127, which defines what a tax district is. A tax district is an area that's con-- usually it's contiguous, in which it has a common levy rate. And that's when you take all the different taxing subdivisions and you pile them on top of each other, so county, city, school, community college, ESU, NRD, so on, and they-- if you have that same common rate, then you're in a tax district. By doing this, we're essentially going to double, probably, somewhere between half to 60 percent increase to doubling the-- the number of tax districts in the state. Creates a lot of complexity. It's something that has to be built individually by the assessor within their [INAUDIBLE] system. It-- that in-- that, in/of itself, the programming cost, I mean, we've got computers to do that. We can-- we can do it, but it creates a certain amount of complexity for your assessor. The other thing is the confusion that this is going to cause. It is certainly a tax shift. Senator Linehan, 51.05 percent of the total taxes in the state are paid by residential property. Ag is 23 percent. Community-- commercial is 19.5 percent of the total. And then the remainder is bonds, essentially, and so those all-- all add up in-- in the total. From our perspective, you know, the confusion this is going to cause when you look at the tax statement, someone's going to say, well, I've-- I'm-- I'm being taxed zero for-- for school purposes and I'm being taxed at whatever I'm-- my value is for the remainder. Ultimately, the question is going to come, well, why not zero for everything, you know, and I understand that there is the conversation about how we want to link our services to the amount of tax that we pay. I can tell you, just as straight away, I'm very, very proud of Lincoln for having completed the South Beltway. I've never driven a square inch of the South Beltway, and so I-- once we get to, you know, those sorts of things, you know, should I have to pay for something that I'm not using, I think we see that that argument deteriorates rather rapidly. Frankly, the reason we have a property taxes is-- is-- and I'll go through the-- the list that I've-- I've given before. When I look at tax policy, I ask myself four questions. The first one is, what do we need to pay for? And for the counties, we're looking at roads, bridges, law enforcement, jails, courts and elections. Those are the big-ticket items, then the infrastructure that supports it. The second question is-- is, how much do we need? And I like to think that we're fairly conservative in the county level, and so what we need is we need what we're asking for. We're not-- we're not really asking for much more

than-- than is required. Then the next question, the crucial question, and that-- that's what gets us to the policy discussion here, is who should pay, and what we decided a long time ago is for those things that are peculiarly local in nature, we want the local taxpayer to pay for them. There are certain things that go into making a community, a community. And in some parts of those, we have the government that takes care of it. We like roads. We like bridges. We like schools. We like to have good schools. You know, the-- the-- the idea that commercial property doesn't have children in schools and therefore doesn't benefit from the schools, I-- I don't think that argument goes very far, frankly, and-- and frankly, I guess what I would say in response to that is that our commercial sector benefits from a well-educated workforce. And frankly, when we talk about the sorts of workforce that we want in the future, we want high-paying jobs that require lots of technical skill and therefore education. So from that perspective on tax policy, I-- I-- I find the the issue of-- of we don't want to have commercial or ag pay for these sorts of things, it's found wanting after a cursory analysis. I've-- I've got a whole bunch of numbers, but I don't want to go into them. As far as the constitutional amendment. I'm not sure that you necessarily get away from a market standard. We-- we essentially copied and pasted the-- the phrases that we use for agricultural land and its valuation from the constitution over to the commercial sector. I-- I still believe that you have to have a market standard. You'll be tied to some sort of market value. And-- and again, I'll-- I'll just refer back to the-- the commercial class of property accounts for roughly 19.5 percent of the total taxes paid on our property tax load. So that, with commercial and agricultural representing 45-ish percent, if you exclude the bonds, that is exactly what's going to shift over to our residential taxpayers, and those are the people that they're our friends, our neighbors, our voters, our constituents, all that good stuff. I'm happy to take any questions you might have.

LINEHAN: OK. So are there questions from the committee?

BRIESE: Thank--

LINEHAN: Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. Thanks for your testimony here today. You talk about policy and things of that sort, but you also talk about complexity and confusion. Would this be any more complex or confusing than the analysis for your local officials on-- relative to LB2 and the ag land bonding value?

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JON CANNON: I--

BRIESE: I mean, it'd be similar, wouldn't it?

JON CANNON: It-- it would be similar.

BRIESE: Wouldn't it be--

JON CANNON: And-- and-- and, Senator, I-- I have to tell you that when I went back to our software company after testifying on that, my programmers were all lined up to give me a piece of their mind. The com-- we're-- we're still working through some of the issues just to make sure that the property tax statements display correctly. It's been a pretty incredible lift so far. Happy to do it. We have-- we have, as a-- as a software company that's owned by NACO, we have not charged the counties for our time. I would say that we've-- we've conservatively put in at least 350 man hours into that project.

BRIESE: OK. But you are working your way through it and--

JON CANNON: Yes, sir.

BRIESE: This wouldn't be any more difficult than that analysis for your locals, would it?

JON CANNON: It would be very, very similar in nature, sir, yes.

BRIESE: OK. OK, very good. Thank you.

JON CANNON: Yes, sir. Thank you.

LINEHAN: Thank you, Senator Briese. So I wasn't even understanding when you said double the tax entities. He's only taking out schools, right? This is only affecting schools?

JON CANNON: It would-- it would double the number of tax districts, and so those are the geo--

LINEHAN: Yeah, I get it now.

JON CANNON: Yes, ma'am.

LINEHAN: But it's only schools, which I [INAUDIBLE] on here.

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JON CANNON: Yes, ma'am-- well, in LB699. In the LR, we're-- we're talking about just doing anything we want with the commercial class of property.

LINEHAN: OK, so-- but their focus is schools--

JON CANNON: Yes, ma'am.

LINEHAN: --public schools and how they're funded.

JON CANNON: Yes, ma'am.

LINEHAN: And then you said something about we want them funded locally.

JON CANNON: So when-- when I look at--

LINEHAN: No, isn't-- what did you say? You said-- did you read your testimony?

JON CANNON: Yes, ma'am. Well, I-- I-- no, I've got an outline. Sorry.

LINEHAN: So you said something about we've decided that we should fund things locally.

JON CANNON: So when you look at tax policy, I ask the question of who-- when I get to the question of who should pay, generally speaking, the-- those sorts of things that are peculiarly local in nature, we want the locals to pay for. And so--

LINEHAN: So like a school district.

JON CANNON: Yes, ma'am.

LINEHAN: But that's not the way we do it in Nebraska.

JON CANNON: We do have other sources of funding that we have for our schools, yes, ma'am.

LINEHAN: Pretty considerable other sources of funding, right, that aren't local?

JON CANNON: My-- my brief is not for the schools. I-- I-- I don't know their numbers and I-- I'd get out ahead of my skis if I tried to.

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LINEHAN: And then isn't there quite a bit of state funding that's for bridges and roads?

JON CANNON: There is, and we appreciate every dime of it.

LINEHAN: OK. I was just confused there.

JON CANNON: Yes, ma'am.

LINEHAN: Yes, Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And thank you for being here. I'm actually listening to your top four things you think about. What was the fourth one?

JON CANNON: The fourth--

ALBRECHT: So the pay for, needs, and who should pay--

JON CANNON: And then the last question is, is how do they pay? And so-- and-- and again, this goes back to when we became a state. When we were thinking about how we want people to pay, we said, well, you know, if-- if you look at income tax, taxing an income there-- there are problems with that, that some people thought for the local issues we don't-- we don't want to get into. For sales tax base, you know, Douglas County's going to be fine. Banner, McPherson, Boone, some of the smaller, more rural counties, they're going to be in really big trouble if-- if we rely on a sales tax base to take care of the services that we want. And so that last question is, is how do we want our local population to pay for it?

ALBRECHT: OK.

LINEHAN: Thank you for keeping me on track, though.

ALBRECHT: Well, I'm just checking here because you're talking about needs--

JON CANNON: Yes, ma'am.

ALBRECHT: --and to-- to this committee, sometimes I think-- I won't speak for others, but certainly for myself-- could be questionable on what their needs are; and whether we're talking about insurance and how much is paid and benefits and things like that, that's all something. But when it comes to commercial and we're talking about

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schools, do you ever get any feedback on how they feel, whether they should be a part of it?

JON CANNON: I-- I've-- I can't make the brief for the schools, but from a-- when I look at--

ALBRECHT: The commercial and--

JON CANNON: From-- do I hear from the commercial sector?

ALBRECHT: Um-hum.

JON CANNON: I've-- I've not heard from the counties as-- as far as whether or not the commercial sector is appropriate or not.

ALBRECHT: So they wouldn't like have a problem with it if we decided to do this?

JON CANNON: From the county perspective?

ALBRECHT: Yeah.

JON CANNON: Outside of the programming that we would have to do internally, I-- I mean, we're-- it's-- it's garbage in, garbage-- it's not ga-- none of this is garbage, but it's-- it's garbage in, garbage out. We-- we put-- feed some numbers into the machine, and the machine will-- will print out some tax statements, and that's what we'll do.

ALBRECHT: Thank you.

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

LINEHAN: We're all tired and we're all doing way too many hearings.

JON CANNON: Ye-- yes, ma'am. I'd-- I salute all--

LINEHAN: So you didn't really mean to say that, when we become a state, because when we became a state, we didn't have sales tax or income tax.

JON CANNON: Yes, ma'am. We only had a property tax.

LINEHAN: Right. And everybody had 160 acres and as many kids as they could afford or not afford, so they worked the farms. So we're a long-- I think back to Mr. Nielsen's opening statement. We can't-- like we're not there anymore--

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JON CANNON: That's very true.

LINEHAN: --when everybody had 160 acres and it was fair.

ALBRECHT: All the kids.

LINEHAN: We have moved way away from that.

JON CANNON: Yeah, I-- I guess the-- the only thing I can say in response is that if-- if we're going to essentially double the property tax for our rural communities, what we have observed over the last 80 years with every decennial census is an emptying out of rural Nebraska, and I think you're only going to accelerate it at that point.

LINEHAN: I think-- I think the proposal, of which it's out there, is-- would double everybody's taxes. I mean, we just went through that, Lincoln, Seward. I mean, if you take-- if half the commercial, half property is commercial or ag and you take that off the rolls, then everybody living in a house, probably, in rural Nebraska is much greater because when you get to where you've got very few people in town with very few houses, I don't know how they could possibly do it.

JON CANNON: They would be paying all the freight. Yes, ma'am.

LINEHAN: But-- OK. Well, they'd get equalization aid. That's how it'd happen. OK. Any other questions? Thank you very much for being here.

JON CANNON: Thank you all very much. I appreciate it.

CONNIE KNOCHE: Hello again.

LINEHAN: Hi.

CONNIE KNOCHE: Chairperson Linehan and members of the committee, my name is Connie Knoche; it's C-o-n-n-i-e K-n-o-c-h-e, and I'm the education policy director at OpenSky Policy Institute. And we're here today in our position because we believe that LB699 goes too far in shifting tax away from ag land and commercial on to residential property. We wanted to bring to your attention the si-- significant tax shift that would occur in some school districts because of LB699 should become law. Also, there would not be additional state aid generated for the school districts in this proposal because it's another set of statutes that would affect the-- the state aid formula, which is the adjusted value, not the assessed value for taxes. So what

you would do is just pretty much decimate the school district because they would only have residential property to levy on and they wouldn't get additional funding because of that loss. It-- it-- LB699 would eliminate property taxes paid by the farmers and ranchers and business-- business owners for taxes levied by schools, causing property taxes paid by the residential owners to increase. The shift from farmers, ranchers, and business owners near urban areas would cause their taxes to increase; however, such tax shifts would be significantly higher in more rural areas where there are not as many residential property owners to shift to. An example that we ran for Superior under LB699 would result in a major increase in taxes paid by residential owners, increasing the total levy, excluding bonds, by \$2.96, which is well over \$3 when you add what they were already levying on top of that. An average homeowner in Nuckolls County would see their property tax on their \$51,985 home increase by 294 percent, going from \$523 per \$100 of valuation to \$2,061 per \$100 valuation. In Red Cloud, the average homeowner's property taxes would increase by \$5,519, and in Holdrege that same homeowner's property would increase by \$2,920. We believe that LB699 goes too far in shifting taxes away from ag land and business owners onto residential property. You could look at some other options or mechanisms for shifting the-- the payment of-- of taxes to like a local option income tax, something like that, or, you know, there's other ways to support the schools. The state could contribute more in the state aid formula if you changed it so that the adjusted value would be adjusted as well. You could do something like that. Additional state aid would go out to those areas. I'm not sure that would make up for their loss in tax revenue, but it would help. So with that, that's all I have and I'm happy to answer any questions.

LINEHAN: Are there questions from the committee? Senator Briese.

BRIESE: Yeah, thank you, Chair Linehan. Thank you for your testimony here today. You're with OpenSky, correct?

CONNIE KNOCHE: Yes.

BRIESE: Yes. And I'm not deaf to the policy arguments of Mr. Cannon and yourself. And I-- I understand kind of what you're saying there. But has-- has OpenSky ever done an analysis comparing the average property tax burden of a typical farmer, whether he's a tenant or a owner, versus the typical homeowner in a rural community that-- that is near to him?

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CONNIE KNOCHE: Yeah, we've done those in the past and--

BRIESE: OK.

CONNIE KNOCHE: --we could do some analysis for you if you'd like to see what those are. But in some rural areas, the ag landowners are paying a significantly more portion of the taxes for these-- in these--

BRIESE: Fair for me to conclude it's a huge discrepancy in a lot of situations?

CONNIE KNOCHE: Yeah.

BRIESE: And-- OK.

CONNIE KNOCHE: In some cases it is, yeah.

BRIESE: Very good. And I-- I should've asked Mr. Cannon, perhaps. He talked about we do something like this and people-- I think he said people are going to move out of rural communities because of the increased tax load. And so I think to myself, so is it fair to conclude that ag is subsidizing the homeowners in these rural areas?

CONNIE KNOCHE: I-- I believe so.

BRIESE: OK.

CONNIE KNOCHE: In some cases that is true, yeah.

BRIESE: OK. Thank you.

CONNIE KNOCHE: Well, and ag is a big contributor to the whole state in the income as well.

LINEHAN: Thank you, Senator Briese. Are there other questions? I don't understand. If-- if commercial and ag dropped and it came out of your values, so the way TEEOSA works, which you know very well is a dollar times your values--

CONNIE KNOCHE: Right.

LINEHAN: --why wouldn't the state-- equalization would just explode. Is there--

CONNIE KNOCHE: There's another--

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LINEHAN: It'll all be froze if-- they can't go up to \$2.96. They're all froze at \$1.05.

CONNIE KNOCHE: Um-hum.

LINEHAN: So--

CONNIE KNOCHE: They'd have to do a levy override to make up for that loss in revenue.

LINEHAN: No. Why wouldn't equalization fill up the bucket?

CONNIE KNOCHE: Because there's another set of statutes and then the state aid formula uses adjusted valuation, so taxes--

LINEHAN: That all will be fixed, so [INAUDIBLE]

CONNIE KNOCHE: Right. That would have to be fixed.

LINEHAN: Well, that's what we do here.

CONNIE KNOCHE: This bill doesn't address that.

LINEHAN: So if-- if this was-- if we did all the adjustments we have to do, the whole idea of TEEOSA is a dollar times your valuation, right?

CONNIE KNOCHE: Um-hum.

LINEHAN: And if that is less than your needs, you get equalization.

CONNIE KNOCHE: Right, and it could be a tremendous cost to the state if we did something like that, yeah.

LINEHAN: It-- yes, it would be a tremendous cost the state, but it-- that's what would most likely happen. I mean, you're not-- you wouldn't let-- you-- you can't. They can't go above \$1.05.

CONNIE KNOCHE: They can with a vote of the people, yes.

LINEHAN: Right, with a vote of the people.

CONNIE KNOCHE: Right.

LINEHAN: But without a vote of the people, they're stuck at \$1.05--

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CONNIE KNOCHE: Right.

LINEHAN: --so the state would have to fill up the bucket with equalization.

CONNIE KNOCHE: If you change the statutes, yes,

LINEHAN: Yeah. OK. Thank you very much. OK, no other questions. Thanks for being here. Good afternoon.

JACK MOLES: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Jack Moles; that's J-a-c-k M-o-l-e-s. I'm the executive director of Nebraska Rural Community Schools Association. Today, I'm also testifying on behalf of the Nebraska Council of School Administrators, Nebraska Association of School Boards, Greater Nebraska Schools Association, and Schools Taking Action for Nebraska's Children's Education. And on behalf of these organizations, first of all, I-- I guess I'd like to point out the obvious that I pointed out, I've spoken to you several times about, is we share the concern over ag land cost for schools. The problem is we haven't had anything new-- any better come along yet to help us out with that, so-- but on behalf of these organizations, I'd like to testify in opposition to LB699. It is our belief that the bill would cause havoc in school funding that would be difficult for local schools or the state to overcome. By my count, 195 school districts would lose 50 percent or more of their taxable valuations, and 98 of those would lose over 75 percent of their taxable valuations. Of course, this would have the effect of all districts needing to raise their levy rate with the ensuing tax rates being applied mainly to residential owners. And I-- I ran this for all the schools, just kind of some rough calculations, but I gave you some examples. For example, McPherson County has a current levy of 70-- right at 71 cents. They would lose 93.8 of their value-- percent of their valuation. And their levy, just to get-- get to be whole again to where they are right now, would be \$11.41. A few others: Boone Central-- I've been there, Senator Briese, for you-- 54 cents right now on the current levy, lose 8-- 78 percent of valuation. A new levy, just to get to whole, would be 2.45. Omaha, they're at \$1.06, almost \$1.07. They'd lose 27.5 percent. They'd be at \$1.47. The last one on there, though, was the interesting one to me. Ashland-Greenwood, right now, their levy is 76-- \$0.7650. They lose 26.1 percent of their valuation. They would be at a \$1.03 point-- or a \$1.0342. Of 244 districts, they were the only one that would be below the \$1.05 levy limit. And-- and I would have lost a bet on you. I would have bet that every district would have been over the \$1.05. But so anyway, Senator

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Linehan, you pointed out they wouldn't be able to go that high. The levy override was-- was suggested. You can only go 50 cents above the levy limit on-- on a levy override, I believe. So most schools would not be able to do that because most of them would be well above that, because the average levy rate to bring schools to whole would be \$3.01. And I did all this without determining equalization aid impact. I-- I didn't figure that in, so.

LINEHAN: That's a-- that's kind of a big--

JACK MOLES: Yeah.

LINEHAN: --kind of big ignoring of the facts.

JACK MOLES: Yeah. So anyway, this change could not be supported under current law and TEEOSA without decimating most school districts. You'll be considering fi-- school finance bills as you move forward in the session. I-- we struggle to see how any of those would be realistically workable with the move to zero percent valuation also. So in closing, the education organizations that I named above would be opposed to LB699.

LINEHAN: OK. Thank you. Are there questions from the committee? Yes, Senator Briese.

BRIESE: Thank you, Chairman. Thank you for your testimony here today. Do you have any idea what the-- how many dollars are we talking about if all residential property was taxed at \$1.05? Should have maybe asked Mr. Neilsen or--

JACK MOLES: At \$1.05? I don't have--

BRIESE: Yeah.

JACK MOLES: --that. One thing I did notice I left out, though, mentioning that what I estimated was about \$1.2 billion loss in revenues with just this move by itself. And a year or two ago, Senator Murman had the-- had a similar bill. And I look back at it and the fiscal note on it at the time was about \$1.2 billion, so-- so I thought I was pretty much in the ballpark.

BRIESE: OK.

LINEHAN: Thank you, Senator Briese. Other questions? So I'm familiar with some of these places. Lewsiton, Nebraska, so you're saying in

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Lewiston public schools, 87.7 percent of ag producer-- mostly-- I suppose there's some commercial there, but it's pretty thin. I don't even think there's a bar left. It's all on ag, basically, 90 percent of it. Ashland-Greenwood [INAUDIBLE].

JACK MOLES: Yes.

LINEHAN: So he's doing something that everybody else seems to be not doing.

JACK MOLES: Well, it was just a kind of a perfect combination of where their levy was and--

LINEHAN: Well, they've got-- they've got a decent school, right?

JACK MOLES: Yeah, very nice.

LINEHAN: Do you know how many kids? Are they a STANCE school?

JACK MOLES: Yes, I believe they are.

LINEHAN: They don't get very much equalization aid, do they?

JACK MOLES: You know, I don't believe they do, but I'm not sure on that, Senator.

LINEHAN: Johnson County Central, the problem with a lot of these little towns-- Lewiston, Johnson County Central-- they're-- they don't have more than maybe a dozen houses over \$100,000.

JACK MOLES: You know, that's one of the things I-- I looked at was the disproportionate--

LINEHAN: You know this because you're from there.

JACK MOLES: Right.

LINEHAN: You were there.

JACK MOLES: But I-- I looked at the disproportionality of-- of a house in-- let's say a house in-- in Tecumseh that might be worth \$100,000 or valued at \$100,000. If you put that same house in Omaha and Lincoln, how much would it be worth? Much more, and so that-- that district would be able to generate more in-- in--

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LINEHAN: Yes, well, I think some of this is-- always comes from where you sit. It's how you see the world. So where a lot of ag people sit-- I understand this-- if the people in Tecumseh, Beatrice-- I can't go much further than that, but I'm sure there's towns all across the rest-- their property tax has actually been going down for the last 10, 12 years, haven't they?

JACK MOLES: No, I actually-- I-- I-- well, I-- I don't know about all of themselves.

LINEHAN: Right, there's just--

JACK MOLES: Some of them have--

LINEHAN: Yes, because--

JACK MOLES: You're talking about valuations?

LINEHAN: --when your ag values go up--

JACK MOLES: Um-hum.

LINEHAN: --and--

JACK MOLES: But some of them have had to, in order to meet what they needed to do, have had to actually raise their levy rates back up. And as their ag land either stagnates or goes up a little bit, then they generate a little more.

LINEHAN: But somehow Ashland-Greenwood changed. All right. Are there any other questions from the committee? Thank you very much.

BRIESE: Senator?

LINEHAN: Oh, sorry.

BRIESE: Just--

LINEHAN: Go ahead.

BRIESE: Just a brief follow-up: The \$1.2 billion from couple of years ago, that represents the loss in revenue to the schools from removal of ag and commercial.

JACK MOLES: Right--

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BRIESE: OK

JACK MOLES: --just doing that.

BRIESE: OK, very good. Thanks.

LINEHAN: All right. Thank you very much.

JACK MOLES: Thank you.

LINEHAN: Next opponent. You're always so polite to wait until the end.

LYNN REX: Pardon me?

LINEHAN: [INAUDIBLE] no.

LYNN REX: I'm sorry?

LINEHAN: [INAUDIBLE]

LYNN REX: Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in opposition both to the bill and to the proposed constitutional amendment. We're, of course, concerned about the huge shift that would go over to residential. There are 529 cities and villages in the state of Nebraska. Half of them are already up against a maximum levy limit of \$0.45 per \$100 of valuation; plus, you allow them to have another \$0.05 if they're in interlocal agreements. Of those ha-- of that half, half of them cannot even raise the funds which would allow them to spend under Chapter 13, Article 5, the Nebraska Budget Act, which is 2.5 percent over the prior year, unrestricted funds. And of course they could do another 1 percent if they have a supermajority vote. The concern here is just fundamental, and that is the huge shift over to resident-- residential property owners. I'm happy to respond to any questions you might have. One-- one thing I do want to add, though, and that is the tremendous work this committee has done. You have a 30 percent income tax deduction on school taxes paid. You've worked on that. You've worked diligently to provide more money in the Property Tax Credit Fund for property tax relief. I mean, I think what this committee done-- has done is pretty incredible, and then you couple that, not that we're weighing in on it because we don't represent schools, but the tremendous amount of state aid to schools that the Governor is prepared to put forward this year. So we think all of those things make a big difference. But having a huge shift over to residential property is something we cannot

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support. With that, I'd be happy to answer any questions that you might have.

LINEHAN: OK. Thank you. Are there questions from committee? Am I missing something? It doesn't take values down for cities.

LYNN REX: Well, we're concerned about the shift over to residential, and it doesn't take the values down for cities, but we're concerned about what it does and the implications it has for municipalities in the state. We think that the way that this is drafted--

LINEHAN: City-- your towns don't-- they can't tax ag farmers.

LYNN REX: No, but they have--

LINEHAN: It's the commercial.

LYNN REX: --commercial prop--

LINEHAN: It's the commercial.

LYNN REX: It's commercial property. Yes, ma'am.

LINEHAN: I got it.

LYNN REX: Yes.

LINEHAN: OK. but-- but they don't take it down for the city. It's just for the schools.

LYNN REX: Correct.

LINEHAN: OK.

LYNN REX: But all of that has an impact on the shift to residential.

LINEHAN: I know you all come as a group [INAUDIBLE]. I mean, you work together. I get that.

BRIESE: Sure.

LINEHAN: Yeah.

BRIESE: Yeah, thank you, and thank you for your testimony. Your concern, is it based on these numbers suggesting a tax levy of

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two-point-something, three-point-something for schools, or if we could keep that to a buck-five max? Similar concern or not?

LYNN REX: That is a concern, yes.

BRIESE: Even if we kept it to a buck-five?

LYNN REX: Yes, because that's what you have right now for schools. I'm just saying it all-- everything is interconnected, everything's interrelated, that's the concern.

LINEHAN: I-- OK. I don't think you understood the question.

LYNN REX: OK, maybe I didn't. I probably did not and I apologize.

LINEHAN: No, no, that's OK--

BRIESE: No.

LINEHAN: --because you get to fill out-- because-- go ahead. I'm sorry.

BRIESE: There was talk earlier about getting TEEOSA equalization aid to backfill, but we'd have to make some changes to do that. If we keep residential property, max 'em out at a buck-five, come and backfill with equalization aid, do you still have a similar concern?

LYNN REX: Oh, no. I'm sorry. I thought you meant--

BRIESE: OK.

LYNN REX: --something different.

LINEHAN: Yes, right.

LYNN REX: I'm just saying the bills don't have that as drafted.

BRIESE: Yes, but is true that we could do that and max out the residential, unless there's an override, max 'em out at \$1.05--

LYNN REX: Correct.

BRIESE: --and backfill with equalization aid and wouldn't be much of a shift in very many places.

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LYNN REX: We do not think-- our understanding is it would not have much of a shift if that would occur.

BRIESE: OK. OK. Thank you.

LYNN REX: Yes.

LINEHAN: Thank you. Thank you. OK--

LYNN REX: And the one thing, too-- I'm sorry.

LINEHAN: Go ahead.

LYNN REX: No, I was just going to say that when-- in the work that we've done over the years, when a business decides where are they going to locate, there are three things they always consider, not necessarily in this order, but it's always the same three things: What are the property taxes? What's the educational system? What's the infrastructure and the public safety? Those are the things that businesses care about when they decide, are we going to locate to Columbus, Nebraska, or Scottsbluff, Nebraska, or Genoa? What do they have and what can they bring to the table? That's what matters. And so that's why we're here with our colleagues on this issue.

LINEHAN: But you're saying property taxes matter.

LYNN REX: Absolutely, they matter.

LINEHAN: Yes.

LYNN REX: Yes. And that's why we've appreciated, Senator, the work that this committee has done. And again, I won't go into all the boring things that I've talked about, and some of you sit on the other committees where I've walked through just the scenario of what it's been since 1967 moving forward and the huge shift that has occurred over to basically residential property owners on the city side, as well, with exemptions granted, legitimate exemptions granted. But the Legislature has not-- back in the day, has not pre-- prepared and given the kind of state aid. And for schools, yes, not to the extent that they would like, I'm sure, but for cities, counties and NRDs and our, quote, state aid to municipalities really only represented five exemptions, and that was, in 1967, the exemption for households and intangibles of \$12.6 million.

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LINEHAN: I-- but In 1967, a lot of things changed. I mean, the state couldn't collect property taxes anymore.

LYNN REX: Ye-- yes. But what I'm saying is, is that what our-- when you reference state aid to municipi-- not you. When anyone references state aid to municipalities, it isn't like the TEEOSA formula, which is--

LINEHAN: Right, I get that.

LYNN REX: --which is broad based, TEEOSA. It's five exemptions: households, intangibles, and the exemptions on livestock, farm equipment, and business inventory, started in 1972 and effectuated in 1977, so-- and then that was totally eliminated with passage of LB383 in 2011. So the point being, just in terms of where Nebraska sits, in terms of state aid to schools, which is whatever it is, 48th or 49th. You look at what it--

LINEHAN: No, we don't want to go there.

LYNN REX: OK. OK. OK. Wrong committee?

LINEHAN: [LAUGH] Yeah, I know it gets said all the time, but it is not true.

LYNN REX: OK. OK.

BRIESE: I thought it was 50th.

LYNN REX: OK.

LINEHAN: Yeah. Yeah. It depends on how you look at it. So it's-- it's--

LYNN REX: My point being that state aid to municipalities--

LINEHAN: No, there [INAUDIBLE] we got--

LYNN REX: --and what we get is also problematic.

LINEHAN: It's almost all family in here. To deal with that 50 percent, you-- they can say that because-- we're at 50th because we don't give any money to rural schools. When it comes to our big schools, they're not here. They sent Jack in their place. They're-- they're above-- they get more state aid than most schools like in the nation. So if you took just GNSA and compared them to other schools across the

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nation, the state does very, very well. But when you add all the little schools across the state, STANCE schools, NRCSA schools, [INAUDIBLE] schools, we're very bad. So it's one of those things. It's true, but it's not-- it's true, but it doesn't really tell you what the situation is. We are-- we are generous with state aid, but we are not to a point, and then it just goes--

LYNN REX: And for state aid, quote, to municipalities, what we'd like to see is basically-- is to have some additional funds coming to state aid to cities and villages.

LINEHAN: OK. Thank you very much for being here, putting up with us.

LYNN REX: Thank you so much, appreciate your time.

LINEHAN: Still don't have to Exec. Oh, really? Ron.

RON SEDLACEK: Yeah, really. [LAUGHTER] [INAUDIBLE] me waiting.

LINEHAN: You don't think it's dead enough? Yes.

RON SEDLACEK: Good afternoon--

LINEHAN: Good afternoon.

RON SEDLACEK: --Chairman Linehan and members--

LINEHAN: Yes.

RON SEDLACEK: --of the Revenue Committee. My name is Ron Sedlacek, R-o-n S-e-d-l-a-c-e-k, here on behalf of Nebraska Chamber. Even though the sign says LB699, it's not why I'm here.

LINEHAN: Oh.

RON SEDLACEK: It's a constitutional amendment.

LINEHAN: OK.

RON SEDLACEK: OK. And we're combining it, correct, in one hearing?

LINEHAN: Yes.

RON SEDLACEK: All right. So with that being clear, I'm here only on LR30CA in opposition.

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LINEHAN: And you're here with the Chamber?

RON SEDLACEK: Here with the Chamber, nothing to do with LB699.

LINEHAN: OK.

RON SEDLACEK: We didn't weigh in at all on LB699, so don't even want to talk about LB699--

LINEHAN: OK, good, we won't.

RON SEDLACEK: --just--

LINEHAN: All right.

RON SEDLACEK: --just to be clear. OK, so the Nebraska Chamber has had a long-standing policy of not continuing to subdivide property, tangible property, real property, into different classes. We've seen what happened in other states in that regard. And we had to amend our policy only once, and that's because the voters of Nebraska didn't agree with our policy. And so they took out agriculture, so now what we got left is ag versus commercial and residential, right? And we always said, if you do that, you're going to start pitting taxpayer against taxpayer. And if you further subdivide, you're just going to continue the argument and-- and exponentially, and that's what's happened in other states as well. That's why we really are talking tax policy here in general. We oppose that further bifurcation, trifurcation, whatever you want to call it, of-- of classification. Something people don't pick up, you know, we talk about well, the residents, you know, should pay for schools, or whatever that issue might be, but think about it this way. Your apartment buildings are not residential property. They're never classified as residential. They are commercial. Investment world, anything that is a single-family dwelling or one to four units is considered residential. But apartment complexes are commercial property, so you're not capturing everyone, even though you might think so. Additionally, you have mixed properties all in one building. That further complicates matters. Just wanted to bring it to your attention, but I'll be quiet from here on and let the committee proceed with their business. If you have any questions, I'll be happy to answer them.

LINEHAN: No, I understand your concerns. But in some states, I think, if I know what you're talking about, they-- they separate all three of them.

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RON SEDLACEK: They separate-- well, they do more than that. There can be industrial.

LINEHAN: Right.

RON SEDLACEK: There can be mining, centrally assessed--

LINEHAN: But this-- this const--

RON SEDLACEK: --railroads, pipelines--

LINEHAN: Central--

RON SEDLACEK: --etcetera, etcetera.

LINEHAN: But this bill just says commercial and ag will be put together.

RON SEDLACEK: No-- that bill might, yeah.

LINEHAN: OK, but--

RON SEDLACEK: LB699 does. I'm not talking about LB6--

LINEHAN: OK. OK, I'm sorry.

RON SEDLACEK: I want to talk about--

LINEHAN: I'm sorry.

RON SEDLACEK: --the constitutional amendment.

LINEHAN: I'm sorry, I'm sorry. OK. What does-- what does the amendment do, constitutional amendment?

RON SEDLACEK: Constitutional amendment just says commercial shall be separate from residential.

LINEHAN: Oh, I see.

RON SEDLACEK: So you could look at LB699 as a commercial taxpayer and say, hmm, a future Legislature could say--

LINEHAN: Right, I get it. OK.

RON SEDLACEK: --zero residential but 100 percent commercial, and that's who's left holding the bag--

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LINEHAN: Yeah, I get it.

RON SEDLACEK: --for everything.

LINEHAN: I get it.

RON SEDLACEK: It's kind of self-preservation in that regard as well.

LINEHAN: Yes. I understand why you're here. Thank you. Are there any other questions?

RON SEDLACEK: Thank you.

LINEHAN: Thank you. Thank you all. Oh, yes, we have [INAUDIBLE]

BRIESE: [INAUDIBLE] We have somebody else here.

LINEHAN: Oh, we do? I'm sorry. I'm sorry.

BRIESE: Whoa, be careful.

LINEHAN: Oh, nope, over there.

SHIRLEY NIEMEYER: Oh, sorry.

KAUTH: You don't want me [INAUDIBLE]

SHIRLEY NIEMEYER: Hello.

LINEHAN: I'm sorry. I didn't see you.

SHIRLEY NIEMEYER: That hurt.

LINEHAN: Welcome.

SHIRLEY NIEMEYER: That hurt. I'm Shirley Niemeyer S-h-i-r-l-e-y N-i-e-m-e-y-e-r, and I'm opposed to LB699 for a couple reasons. I'm representing myself. I do own-- my husband and I own a farm. I grew up on a farm. I know there's a huge problem with property tax for landowners, farmers. I know little about the tax structure, so I'm just coming from somebody that's off the streets and thinking. I know education is critical. It is so important to our kids. But I'm thinking, if you do that and it hits some of the rural schools, some of those rural schools are going to have to close, wouldn't they? And if that happens, they have to travel an hour, two hours, more, on a bus? I-- I don't know. I haven't studied that, but I do think it would

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be a problem for some of them. I guess I don't understand why ag land is at zero. You know, I know it has to be addressed, but what about a percentage drop? What if it's 55 percent, 40 percent? But zero is a huge drop. I think we all need to pay taxes for the privileges that we have here. We have so many privileges, the roads. But there are some in our society that are low income. They own houses. They're retired. They're one income. They will not, some of them, be able to pay their taxes. If you put it all on residential. You look at Elkhorn. I don't know how many high-rise apartments are in Elkhorn, and their school districts, you know, just build, build. Gretna's the same way. Those high-rises, if they're not going to be taxed, how do you pay for all those kids? I-- I-- I don't know. I don't think I really understand the implications of this. I do know you've spent five, six, seven years trying to address. It. Seems to me there needs to be a major group of people representing all-- all, you know, kind of different aspects of it together to come up with a package that doesn't overtax residents, doesn't overtax land, but provides for schools, districts. I just-- it's so important. And I just-- I just wanted to say that-- I was go-- I was going to tell you about Ashland-Greenwood. Would you like to know what's going on there? I live in that town. I don't have any children in the school, but we raise money through our foundation to build things, to help the teachers with things the school can't afford. We did technology early on. We've done a lot with our foundation, but that's not going to work in many communities. The other problem is we're getting all these lakes around sands built when they take the sand out, and those houses are like a million-some dollars. And so that's what's helping us. We weren't a wealthy school district. We're not wealthy. But that kind of property raises ta-- raises the money to help. The other thing, personally, there are some things that are not on the tax rolls. I know storage facilities in our town aren't on the tax rolls. I mean, they're on for the property, but not to pay taxes on what they do. You know, they-- they don't do that. So there are some-- there are some things that you could tax that's not being taxed now. But I also feel that we-- that the lower-income people are paying more taxes than they maybe are able to and the really upper-income people are not paying what they could, if you really value education. And, you know, Warren Buffett said he pays less taxes than his secretary. He said that one time. Now, I don't understand that. I mean, I just don't understand that. And so I thank you very much for listening to me, and I hope that you're able to solve the problem because I don't want to see farmers, landowners that are agriculture or horticulture not in business, and I know that some of them are hurting, not all of them.

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LINEHAN: OK. Your light is on. Thank you very much.

SHIRLEY NIEMEYER: Thank you.

LINEHAN: Thank you, appreciate you being here.

_____ : Questions.

LINEHAN: Oh, yes, questions. No, we don't. Thank you very much for being here--

SHIRLEY NIEMEYER: Thank you.

LINEHAN: --appreciate it.

SHIRLEY NIEMEYER: Oh, oh.

LINEHAN: I know. It doesn't make it easy, does it? [INAUDIBLE] again. OK, with that-- did I do [INAUDIBLE]. So on LB699 we had Patricia [INAUDIBLE]-- I don't need to read them-- three proponents, no opponents; on LR30CA, we had two proponents, no opponents. Senator Murman, would you like to close?

MURMAN: Yes. Well, the-- the main reason I brought this bill and the constitutional amendment is to show the unfairness of the TEEOSA formula, especially agriculture. It's no secret. The reason I have to do the constitutional amendment, commercial is in with residential now in the constitution, and I would-- to be fair, I want to put everything on residential, all tax, property tax for schools, on residential, so I have to separate 'em out first to do that. So commercial would actually be taken to zero. I mean, I'd like to separate out apartments there, too, because those are actually residences, but I think that's gonna be really difficult to do. So if we could only tax houses and ideally include apartments, everyone would be treated fairly, unless you're homeless, because you'd-- you'd be taxed according to, you know, how-- how good of a residence you have. So-- and-- and someone brought up the local option income tax. I'd be a lot more favorable toward, you know, if we were going to tax something other than-- than residential property and income tax, because I think income is a lot more fair than property. Just because you own a certain amount of property, doesn't mean-- that's a very poor measure of your ability to pay. If you have property, someday you have to pay for it, so you have to make the income sometime to pay for it anyway. And agricultural property is-- is very seldom sold by an individual. Usually it's-- if-- if it's ever sold, it'd be by the

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heirs. And typically I think-- I think we did some research on this on the earlier bill. A typical residence is sold three times, so-- by the-- by an individual, so at least you do get the gain on the residence when you-- you-- when you do sell it, as-- you know, differently than ag land. And by the way, doesn't matter if you're a farmer, you-- you still own a residence, hopefully, unless you live in a barn, I guess, so it's fair to everybody, including farmers, to-- to tax residences only. And-- and something about it, I think someone said it'd be tough on commercial if this would pass, but actually commercial, the intentions-- and it may not be in the bill, but the intention is to take commercial property to zero for property tax pur-- purposes. And as far as supporting the schools, you know, I want to support the schools, as well, like we always have. It's just a different way of taxing to do that. So with that, I guess I'll take any questions anybody might have.

LINEHAN: Thank you. Are there any questions from the committee?
Senator Briese.

BRIESE: Thank you. And thanks for bringing this, Senator Murman. I assume you or Mr. Nielsen could tell us or figure out for us how much state aid it would take to recapture that lost revenue to the school districts if everybody-- if all residential property was put up to \$1.05?

MURMAN: Yes.

BRIESE: Thank you. Probably [INAUDIBLE]

MURMAN: Wasn't that the \$1.2 billion?

BRIESE: Well, I think that was the total revenue loss, but that-- I think that's still assuming there's a lot of low-levy districts out there with low-levy--

MURMAN: Oh, OK.

BRIESE: --homes and residential properties. But take everybody up to a buck-five, it's going to be that 1.2 minus something, it would seem to me.

MURMAN: OK.

BRIESE: I'd just be curious what it is, but anyway, we--

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MURMAN: Yeah, I'll try and get those--

BRIESE: Yeah, sounds good. Thanks.

MURMAN: --that figure for you.

LINEHAN: That would be-- yes, that would be a good number to have because you have a lot of school districts that are not \$1.05.

MURMAN: Yeah.

LINEHAN: OK. Any other questions? Thank you very much.

MURMAN: OK. Thanks a lot.

LINEHAN: That ends the hearing. You bet.