

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 2, 2024
Rough Draft

LINEHAN: Oh, you-- oh, no. I'm not there. I'm here. I serve as Chair of this committee. I am from Elkhorn, Nebraska, and I represent LD 39. The committee will take up the bills in the order that are posted outside of the hearing room. Except we're going to flip the first two. They're doing that right now. So Senator Ballard will be first. Our hearing today is part of your legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit handouts. If you are unable to attend a public hearing or would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m. the day of the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of personal testimony. To better facilitate today's proceedings, I ask that you follow these procedures: please turn off cell phones and other electronic devices. The order, 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 community 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 ten copies for all committee members, members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your first and last name for the record. Please be concise. It is my request that today you limit your testimony to three minutes. And we will use the light system. You'll have two minutes on green, and then you'll have 45 seconds-- it'll be yellow. And then it turns red, and you have 15 seconds to wrap up. If your remarks were reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly in the microphone so our transcribers are able to hear your testimony clearly. I will now introduce committee staff. To my immediate left is legal counsel Charles Hamilton. To my left at the end of the table is committee clerk Tomas Weekly. And now I'd ask the committee members with us today to introduce themselves, beginning at my far right.

KAUTH: Kathleen Kauth, LD 31.

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MURMAN: Dave Murman from Glenvil. I represent eight counties in the southern part of the state.

BOSTAR: Eliot Bostar, District 29.

von GILLERN: Brad von Gillern, District 4 in west Omaha.

ALBRECHT: Hi. Joni Albrecht, District 17: northeast Nebraska.

MEYER: Fred Meyer, District 41: central Nebraska.

LINEHAN: And now if I could have our pages stand up, please, so people can see you. So we have Ruby, who is at UNL and a political science major; and Colin, who's with us every day. He's at UNL and he's a cri-- criminal justice major. Please remember that senators may come and go during our hearing, as they have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. For the audience-- didn't I read-- I already read that, but I'll read it again. For the audience, the microphones in the rooms 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. Please be assured that your presence here today and your testimony are important to us and it's a critical part of our state government. So with that, we will open on LB1400. Senator Ballard. Good afternoon.

BALLARD: Good afternoon. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Beau Ballard. For the record, that is B-e-a-u B-a-l-l-a-r-d. And I represent District 21 in northwest Lincoln and northern Lancaster County. Like many of you sitting around the committee today, one of my top priorities and what I campaign on currently is attracting and retaining young talent and-- talent to this state. And that's why I was so excited when the Governor asked me to partner with him to introduce LB1400. LB1400 would provide tax incentives to business and employees for relocation expenses for employees coming to Nebraska who make between \$70,000 and \$250,000 per year, increasing each year by the same percentage used to increase the income tax bracket. It would allow employers to receive 50% tax credit for relocation expenses if they pay to bring employees making the same amount to Nebraska, with a \$5,000 tax credit per employee. The ploy-- employee also gets a one-time tax deduction. They're allowed to exclude all Nebraska wage incomes for the year within two years of moving to the state. The employer must remain a

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Nebraska resident for two years after they and the employers claim the credit. Otherwise, the credit shall, shall be recaptured by the department. I, I do have an amendment to clarify that the pay range would be increased by CPI. I am having a staff member bring that down with the shuffle in order. So I will get that to the committee. But with that, I think this, this bill is important to attracting and retaining young talent to the state. With that, I'll answer any questions.

LINEHAN: Thank you, Senator Ballard. Are there any questions from the committee? Seeing none. Will you be here to close?

BALLARD: I will.

LINEHAN: OK. Good afternoon.

JIM PILLEN: Good afternoon. Thank you, Chairwoman Linehan and Revenue members of the Revenue Committee. It's a pleasure to return again today and testify on bills that are part of the larger tax package. My name is Jim Pillen, J-i-m P-i-l-l-e-n. It's been an extraordinary privilege to serve as the 41st Governor of Nebraska. And it'll never get normal to say that. I'm here to testify in support of LB1394, LB1400, LB1410, LB1414, and LB1415. Thank you to Senators Brewer, Ballard, Linehan, and Dover for being partners in the goal of reducing property tax by 40%. We've targeted a real number-- a number that most lobbyists shake their head and say they can't do and that won't work. And they have no solution. Absolutely not one. We all answer to the people of Nebraska, not the lobbying groups. And from my seat, everywhere I've been-- and I think I've been to nine town halls in the last two weeks-- two this morning in Columbus in Nebraska. They expect it. They demand it. They're begging us to our-- do our job: fix the problem. Fix the problem. They want real reform, not something that we can promise in ten years. The bills that are being re-- re-- introduced resulted from great conversations from two different working groups. We had what we originally called the valuation reform regroup. Turned out to be valuations in property tax. And then the other workforce. Combined, there were representatives from multiple industries, education leaders, local elected officials, child care business owners, and real estate. And we've had great conversations at these meetings. There could have been meetings that could have had a little more real conversations, but overall they were good conversations talking about these issues. So we're here today with five bills that will bring transformational and sustainable relief to property taxpayers. LB1394-- this is, this is really exciting for all

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Nebraska. It exempts our servicemen and women-- and it's extraordinary, extraordinary privilege to be commander in chief of the Nebraska Air and Army National Guard. This would exempt our servicemen and women from paying income tax on their earnings from being in duty in Nebraska National Guard. Not only do we want to encourage and reward their ongoing commitment, the extraordinary players in our state, we want them-- this to be an enticement to others who would consider joining the ranks. LB1400 has two key components. First, it allows employers-- so this is a-- really important for workforce-- helping solve the workforce issue. It allows employers to receive a tax credit of up to 50% on relocation expenses paid to qualified job recruits. Secondly, these new employees who are moving to Nebraska would not pay income tax for two years. This will help existing Nebraska companies, the bread and butter of our state, to attract highly qualified individuals from outside of the state, allowing us to grow our workforce and build our tax base. LB1410 will reform our current incentive package to make Nebraska's incentives competitive in the manufacturing sector for Nebraska-grown companies. LB1414 creates a hard cap on local spending. I think what's really important is that we've had lots of people working to do good work for our communities. But the hard-core reality is, is if we look back at what's taken place, the spending and the taxation continues. We have to simply-- we can't afford to stay down the path that we're on. We have to do something to solve this problem. Local governments will not have anyone to tax if all of us leave. LB1415 is the Property Tax Relief Act. Through this proposal, the state would provide \$975 million in tax relief funds for public schools, counties, and municipalities with the very, very clear expectation that property tax requests would be decreased. This will benefit all taxpayers and allows the front-loading of tax credits so that property taxpayers will see them in their statements instead of having to claim them later. All Nebraskans are expecting change. All Nebraskans expect real reform. We have to decrease their taxes. They're tired of being told that property tax relief was passed. It's not fixed. The mission is getting close, but it's not accomplished. We have to get comfortable being uncomfortable talking about this issue and getting it solved. We cannot-- yeah. Let's just call it the way it is. We got to quit being Nebraska nice and get after it, and tell the people that this policy of 60 years won't work and that won't work when nobody has any other solutions. I have confidence that together, together we know who we work for, we know what we're doing, and we together can solve this problem. Remember, without a shadow of a doubt, together we can. Be happy to take any questions.

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

JIM PILLEN: Thank you. Thanks for all you do.

LINEHAN: So the first proponent for LB1400, LB1400. Yeah. If you're going to be proponents, guys, come up front. This saves a lot of time. Or let me put it this way: if you're on this bill, move forward-- if you're here to testify on this bill. That's fine. You-- y-- that'd be great. Thank you.

EMILY OLINGER: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Emily Olinger, E-m-i-l-y O-l-i-n-g-e-r. I'm the chief people officer at Monolith, a clean hydrogen and advanced manufacturing company headquartered here in Lincoln. In addition to my role at Monolith, I also serve on the Nuclear Hydrogen Industry Working Group created by the Legislature and the Governor last year. It is an honor to be before the committee. On behalf of Monolith, we appreciate Governor Pillen and Senator Ballard for bringing LB1400 forward. We also appreciate the support we have received from the Unicameral and your focus on growing Nebraska's hydrogen industry. First, I'd like to tell you a little bit about our company and the exciting work we're achieving in Nebraska. At our facility in Hallam, Olive Creek 1, Monolith uses an advanced technology that-- called pyrolysis to create hydrogen and carbon black, a versatile substance used in vehicle tires. The carbon black that we sustainably create in Hallam is currently being sold and shipped to customers across North America. As you can imagine, the workforce needs of our high-tech company are complex and ever-evolving. In 2023, Monolith continued our growth in Nebraska with some very significant milestones. In May, we announced our partnership with Goodyear, who created the world's first-ever tire made from sustainable carbon black. We are incredibly proud that there are Goodyear tires on the roads today because of a Nebraska-borne innovation. This meaningful partnership is paving the way for additional growth opportunities with large tire manufacturers. In 2023, Monolith also opened a new office in Hallam to house our company's community relations department. Monolith also leased 25,000 square feet of additional warehouse space in south Lincoln to store many tons of carbon black that we are producing before it's shipped to our customers, this in addition to our recent growth of Olive Creek 1 and at our Monolith Technical Center on West L Street here in Lincoln. These physical expansions, coupled with our work to provide scholarships and internships to Nebraska students, made 2023 a pretty

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incredible year for us. In all, Monolith grew our workforce in Nebraska by close to 11%, and we now have 165 employees here in Nebraska. Currently, we are working to make our next expansion, Olive Creek 2, shovel-ready. This major expansion will only increase our company's need for highly skilled workers. The Olive Creek 2 facility will be a-- more than \$1 billion capital investment and will create hundreds of additional jobs in Nebraska. Through every step of the way, the state of Nebraska has been an incredible partner for Monolith's growth. In all, Monolith has relocated 80 employees to this state since 2018, an investment of over \$1.4 million. Many of these employees serve in key leadership roles--

LINEHAN: You hit your red light.

EMILY OLINGER: Thank you.

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

EMILY OLINGER: Thank you.

LINEHAN: --for being here. Good afternoon.

ROBERT M. BELL: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Robert M. Bell. Last name is spelled Be-l-l. I'm executive director and registered lobbyist for the Nebraska Insurance Federation. And I am appearing today in support of LB1400. As you know, the Nebraska Insurance Federation is the primary trade association of insurance companies in Nebraska. Recently, the federation engaged the University of Nebraska-Lincoln Bureau of Business Research to conduct a study on the economic impact of the insurance industry as employers in Nebraska. While this report's still in draft form, it contains some interesting facts and findings that relate to workforce in LB1400. First, a breakdown of the insurance workforce. The insurance industry is a high-wage industry. The average wage for a Nebraska employee at an insurance company is just below \$92,000. The industry employs more than 32,000 Nebraskans. Nebraska has a 66% higher-- or, more jobs in the insurance industry than a state of Nebraska's population would be expected. This ranks second nationally. The second is that the industry is posed for more growth. The industry expects to add nearly 2,000 jobs this decade to Nebraska. And a slightly different metric is the annual job openings, which includes both job growth and filling positions due to retirement and turnover. This number is just over 1,000 annually. And the num-- the

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final finding I'll share with you is that the number one issue facing companies as they hire is finding quality employees. And I share this information with the committee to illustrate that the Nebraska insurance industry is constantly seeking new employees from colleges, universities, other businesses, and, of course, other states. Most, if not all, insurance companies in Nebraska actively recruit new employees from other states and do so successfully for a number of reasons, including high wages, low cost of living, interesting work-- if you're into insurance-- great schools, and a superb quality of life. I can, but will not, bore you with various examples from different companies due to time. And we know the Department of Insurance and the Department of Economic Development are actively seeking new companies. And to the agency's credit, one of these requirements is that they bring jobs to Nebraska. However, this bill does not apply to premium tax or retaliatory insurance tax, similar to many other credits. And one ask that we would have of the committee: insurance companies do not pay state income tax. Instead, they pay premium tax and retaliatory tax, that this be expanded so that we can use this tool. Thank you for the opportunity to testify.

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

ROBERT M. BELL: You're welcome.

LINEHAN: Good afternoon.

CARTER THIELE: Hello. Thank you, Chairwoman Linehan and members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I am the policy and research coordinator for the Lincoln Independent Business Association. Our organization has staunchly advocated for fiscal responsibility and has opposed increasing state sales tax to generate revenue for public spending as this committee has heard in previous testimony. We instead believe that focusing on bolstering our workforce and investing into housing infrastructure is an important and effective long-term strategy to provide public funding and revenue for services while stimulating economic growth. As such, we wholeheartedly support the proposed Relocation Incentive Act. This act provides an innovative and pragmatic approach by offering a financial incentive for both employers and employees. It'll help attract a robust workforce to Nebraska by re-- by providing-- excuse me-- a refundable tax credit to employers who shoulder relocation expenses for qualifying employees. We are encouraging businesses to invest in attracting top talent to our state. In addition, the act allows

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qualifying employees to exclude their Nebraska-sourced wage income from their taxable income. This provision acts as a significant draw for skilled workers seeking to relocate, further strengthening our workforce. Now, these incentives come at a cost. However, by investing in our workforce and housing, we are laying the foundation for a thriving economy that will provide additional tax revenues through these new employees' contribution to sales and property taxes by residing in Nebraska. An invigorated workforce leads to increased consumer spending and a broader tax base, thus removing the need for increased sales taxes. In conclusion, LIBA believes that the Relocation Incentive Act is a step in the right direction. It's a strategic investment in Nebraska's future, one that prioritizes our workforce and ultimately promotes long-term economic sustainability. LIBA urges the committee to support this act and help pave the way for a more prosperous Nebraska. Thank you. And I would be happy to answer any questions.

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

CARTER THIELE: Thank you.

LINEHAN: Other proponents?

BOB HALLSTROM: Chair Linehan, members of the committee. My name is Bob Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association and the National Federation of Independent Business in support of LB1400. On any given day, you can probably find upwards of 800 job openings in the banking industry. And different economic development incentives provide different benefits to the state. We applaud Governor Pillen for identifying that the need to attract people is a, is a major need in our state. So the fact that this provides incentives, both with regard to relocating workers and providing them with a income tax benefit as well, is a positive step. One thing similar to Mr. Bell that I would indicate, to note that we are not self-serving in our initial support for the bill is-- we are doing so even though the banking industry is not included by including Chapter 77-3806. And we would certainly appreciate the committee considering an amendment to ensure that banks can take advantage of this credit as well. Be happy to address any questions.

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

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BOB HALLSTROM: Thank you, Senators.

LINEHAN: Thank you very much. Are there any other proponents?

JASON BALL: Good afternoon, Chair Linehan and members of the committee. My name is Jason Ball. For the record, that's J-a-s-o-n B-a-l-l. I'm the president and CEO of the Lincoln Chamber of Commerce. I'm here to offer testimony in support of LB1400 on behalf of the Lincoln Chamber, the Nebraska Chamber of Commerce and Industry, the Omaha Chamber of Commerce, and the Nebraska Chamber Executives Association. I think we're all quite well-aware workforce is the number one limitation on growing the economy the way that we want to in this state. So adding additional resources for businesses to encourage people to relocate into the state is just going to be essential. The State Chamber of Commerce has estimated that we have a need for 80,000 people to help fill open workforce positions in the state. And we know that while keeping Nebraska kids in the state is laudable and great and we want to maximize what we're able to do with keeping our kids in the state, we are also going to need to import more people into the state. So this relocation assistance will be essential for helping businesses bring in the talent that they need. Thank you for your time and attention today. I would be happy to address any questions you might have.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much.

JASON BALL: Thank you.

LINEHAN: Are there other proponents? Any other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? Let's check letters. And Senator Bostar, would you like to close?

BOSTAR: Senator Ballard.

LINEHAN: And on camera. I did it on camera. Senator Ballard. This will not be the last mistake I make today. Yes, we did have letters. And we had 2 proponents, 19 opponent-- no. [INAUDIBLE] wrong one. That's on my bill.

von GILLERN: LB1480?

LINEHAN: Yeah.

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1400.

LINEHAN: Maybe we didn't. Maybe we didn't have any.

TOMAS WEEKLY: No letters.

CHARLES HAMILTON: No letters.

LINEHAN: Oh, no letters. Oh.

BALLARD: No letters?

ALBRECHT: They're all out of town.

LINEHAN: No opponents.

BALLARD: No-- I'll take it. After the day you had yesterday, I'll take that. I'll be brief. I-- because I, I appreciate the committee's hard work this week. And I'm sure you guys would like to see the sunshine at some point. Is this a silver bullet to addressing Nebraska's incre-- increasing job openings? No. But it probably is a piece of the puzzle. I was most excited about this bill because it would not only help large businesses, like Mr. Bell said, and Monolith, but it helps small businesses too that are in need of bringing new talent to the state. Salaries are always going to be king in attracting talent, but benefits are going to be a piece of that puzzle as well. So with that, I would be happy to answer any questions the committee might have.

LINEHAN: Thank you, Senator Ballard. Are there any questions from the committee? Senator von Gillern.

von GILLERN: Thank you, Senator Linehan. Senator Ballard.

BALLARD: Yes, sir.

von GILLERN: The two issues that were raised by the insurance industry and the banking industry, were you aware of that prior? Is there any plan to consider that? What, what are your thoughts going forward?

BALLARD: Absolutely. Mr. Bell talked to me before. Mr. Hallstrom talked to me as well. And I would, I would consider that. Anyway we can help get talent into the state I'm all for.

von GILLERN: Greta. Thank you.

BALLARD: Thank you.

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LINEHAN: Thank you, Senator von Gillern. Any other questions from the committee? Thank you much.

BALLARD: Thank you, Chair.

LINEHAN: Thanks for getting over there. Appreciate it. Now we will go to-- oh. That closes our heal-- hearing on LB1400. And now we will go to LB1394, Senator Brewer. Yes. Well, he can explain-- oh, sorry. And the same. If you are here on this bill, if you could move close to the front, that'd be helpful.

von GILLERN: I took my notes on the wrong bill.

LINEHAN: Good afternoon.

TONY BAKER: Good afternoon, Chairman Linehan, members of the Revenue Committee. My name is Tony Baker. That is spelled T-o-n-y B-a-k-e-r. I'm Senator Tom Brewer's legislative aide. Senator Brewer represents 11 counties in the 43rd Legislative District of western Nebraska. I'm here today to introduce on his behalf LB1394. Senator Brewer sends his regrets, as he had a prior engagement and can't be here. So I will read his speech for you. And in the interest of time and the fact that I'm not the senator, I'll get this over with quick and we can get General Strong's testimony, which is what you guys are going to really need to hear. The Nebraska Army and Air National Guard are having a difficult time filling their ranks. Their recruiting and retention efforts are suffering more than I have ever seen. I spent nearly 40 years in uniform-- I personally spent 30 years in the Army Guard in Nebraska-- serving this organization. If we do not take steps to address this issue now, the problems we are seeing with recruiting and retention are on track to end up being worse than the strength problems we had following the end of the Vietnam War. I joined in 1977. And the draft ended in 1975. The Beatrice National Guard unit was 150% strength. In 1977, when I joined, it was 40% strength because people didn't have to be in the guard anymore to avoid the draft. Once again, federal policies at the DoD level are causing difficulties for our recruiters. And I'll just leave that right there. That being said-- in my time in the Legislature, I have learned that you never bring a bill to the Revenue Committee that hasn't first been trimmed down to the point where its impact on revenue is absolutely at the minimum. When I first saw this idea introduced in the Indiana legislature, the very first draft of this bill exempted all income for guard members from the Nebraska income tax. Turns out that has a gigantic expense associated with it. So Senator Brewer and the

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Governor got together, and they trimmed this bill down to a \$2 million fiscal note. So all that's exempted by this bill is a member's National Guard pay. So you go to drill weekend two days a month. You go to annual training two weeks in the summertime. And that pay is exempt from Nebraska income tax. The member's civilian job-- and that pay is not. Subject to your questions, that concludes my introduction.

LINEHAN: Thank you very much. Are there any questions from-- excuse me-- questions from the committee? I have a sub-- I know-- does the bill cover all National Guard or just the-- part time?

TONY BAKER: Well, it would be the traditional National Guard soldiers. The active duty soldiers you're talking about that are in the guard?

LINEHAN: Well, I-- and we don't have to settle this today. But I've looked at this. I think there's maybe some more kind of splitting of hair for the full time--

TONY BAKER: Mm-hmm.

LINEHAN: --which is their full-time job. And the part time, which [INAUDIBLE].

TONY BAKER: Right.

LINEHAN: Right.

TONY BAKER: We, we call those M-Day soldiers. That's the ter-- now, they've probably got a new term. It's been a while since I've been in uniform.

LINEHAN: OK. All right. I'm sorry. Any other questions? Thank you very much for being here. Hello.

CRAIG STRONG: Good afternoon, Chairwoman Limen-- Linehan and members of the Revenue Committee. I'm Craig Strong, C-r-a-i-g S-t-r-o-n-g. I'm the adjutant general of the Nebraska National Guard and the director of the Nebraska Military Department. Thank you so much for the opportunity to testify in this hearing in support of a tax exclusion for income received for service in the Nebraska National Guard. Also, thank Senator Brewer for introducing this bill. And our National Guard commander in chief, the Governor, for prioritizing this bill as well. If LB1-- LB1-- LB1394 becomes law, it would allow Nebraska National Guard service members to receive a 100% tax exclusion on the income they receive while serving in state active duty or in Title 32 U.S.

Code duty status, which is attending drills, annual training, military schools. It would also, as currently written, exempt state active guard reserve and active duty for operational support service and employment as a federal dual status technician. So it would include those statuses as well that are in support of the National Guard and National Guard status. The National Guard is-- the Nebraska National Guard is composed of the Army National Guard and the Air National Guard. Looking at the Army National Guard-- is really experienced a steady increase [INAUDIBLE] in assigned strength following 9/11, heavy into the Iraq and Afghanistan conflicts. So from 2001 to 2011, we saw a steady increase in our, in our numbers. In 2011, the Nebraska National Guard membership peaked and had 3,913 soldiers. From 2007 to 2013, the Nebraska Army National Guard met or exceeded its also authorized strength during the War on Terror. However, since 2011, the Nebraska Army National Guard has experienced a continued downward trend in assigned strength. In 2023, the Nebraska Army National Guard was at its lowest peak in the past 20 years, with membership three-- of 3,146 members. Over time, over that ten-year period, that's approximately 800 less soldiers. And a standard army company is 80 to 100 soldiers. So we essentially divested the strength of eight companies-- oh, correction-- ten companies, or two battalions, approximately. The Nebraska Air National Guard, on the other hand, was at least 100% of its authorized strength from 2005 to 2021. Then from 20-- 2021 to present, the Nebraska Air National Guard has continuously been below its authorized strength. The Nebraska Air National Guard is currently at 96% of its authorized strength due to an increase in positions of the 170th Operations Group, which is located at Offutt Air Force Base, which is-- a good news story: they will fill those. We are confident. Overall, between the Air Guard and the Army Guard, we are currently at 92% of our authorized strength. While the Nebraska National Guard's assigned strength is continued-- continues to decrease, on the demand side of the equation, our forces have-- have drastically increased over the past 20 years in response to emergencies all across our state.

LINEHAN: We'll ask you a question.

CRAIG STRONG: Yes.

LINEHAN: OK. Are there any questions from the committee? Did you have-- you had some more data that you wanted to share?

CRAIG STRONG: Just simply to refer to the demand side on the guard. And probably goes without saying that our demand has increased over

that period of time, both overseas, which has somewhat tapered off since the conclusion of a conf-- the, the, the higher [INAUDIBLE] periods. But our domestic response is still higher than historical averages, with hurricanes, floods, civil unrest, election support, inauguration support, wildfires, so-- on that side of it. So simply put, our assigned strength is decreasing while the demand, the demands of the Nebraska National Guard are increasing. And we are in a competitive environment for talent. And those that are willing to become-- or, serve as a citizen soldier and have a full-time job in general, and then also serve in a part-time basis with the Nebraska National Guard. So, committee member-- members, that concludes my testimony. I'd be glad to answer any questions you might have.

LINEHAN: Thank you very much, General. Are there questions from the committee? I think it would be helpful, because of term limits here, if you could go back the last whenever we had the flood. What was that, 2019?

CRAIG STRONG: 2019.

LINEHAN: If you could go back and just show the committee and, and give us information on how many of the guard was called up for the flood, for COVID. I know we're still not in Afghanistan, but we did have-- and what your-- how much you're involved with Offutt and other missions you have. Just so it gives us a more round view of what you all do.

CRAIG STRONG: Yes, ma'am.

LINEHAN: Thank you.

CRAIG STRONG: I can have that prepared and sub-- submitted.

LINEHAN: Thank you. Are there any other questions from the committee? Seeing none. Thank you very much.

CRAIG STRONG: Thank you, ma'am.

LINEHAN: Hello.

THAD FINERAN: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. I'm Thad Fineran, T-h-a-d F-i-n-e-r-a-n. I'm the Nebraska Army National Guard chief of staff. Thank you for the opportunity to provide facts to the committee regarding the recruiting and retention environment in Nebraska and the impacts that this bill

could have on our ability to recruit and retain members. As Major General Strong previously stated, the Nebraska National Guard has experienced a steady decrease in assigned strength over the past 20 years, with the Army National Guard particularly affected. The primary influencers to this assigned strength are twofold: first, our ability to recruit new soldiers and airmen; and second, the ability to retain these members over the course of a potential career. Our ability to recruit and retain members faces many challenges, reflecting the evolving nature of global conflict, societal shifts, and local economic impact. The prominent challenge that we face is societal shift and perception of and propensity for military service. This challenge is complicated further by the demanding nature of military service, characterized by frequent deployments, significant training, and preparation time away from work and family in between those deployments. When we combine these with robust economic factors in the civilian workplace, such as increasing wages and low unemployment, these demands result in individuals, individuals increasingly prioritizing personal well-being and family considerations over service in the National Guard. Our assessment of these challenges leads us to two main obstacles. First is the decrease in number of service-age individuals with the qualifications and propensity to serve, while the second is the difficulty in effectively incentivizing military service enough to outweigh the competing demands that I discussed previously. This legislation serves to influence the second challenge by increasing the economic incentive to serve in the Nebraska National Guard. As General Strong stated, here in Nebraska, we experienced a steady loss in assigned strength since 2008. On average, we need to assess 350 new soldiers every year just to maintain our strength at annually directed levels. Over the past 20 years, as he said, we've declined from peak accession strength in 2006 of 508 new recruits to our recent four-year average of 293. Our losses will continue to outpace accessions over the next ten years, as we anticipate an increase in the number of retirement eligible members who join the service during our peak accession years of 2003 to 2010. This will put additional pressure on our recruiting and retention efforts to maintain the authorized levels. Simultaneously, we anticipate continued operational demands for our formations for both state and federal missions. Our soldiers and airmen contribute, on average, 22 days in addition to their annual statutory service requirement. As members consider the opportunity cost for their service in terms of time, benefits, and compensation, legislation which enhances the return on members' investments in service will help us retain talent in the Nebraska National Guard and enhance our

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ability to a qual-- to attract quality men and women to enter service to their communities, their state, and their country. Thank you for the opportunity to share this information with you today. I'm happy to answer any questions the committee may have.

LINEHAN: Thank you very much. Are there any questions? Seeing none. Thank you for being here.

THAD FINERAN: That you, Chairwoman.

LINEHAN: Next proponent.

CARSEN KUEHL: Good afternoon, Chair Linehan, members of the Revenue Committee. My name is Carsen Kuehl, C-a-r-s-e-n K-u-e-h-l. I am a full-time member-- soldier and member of the Enlisted Association of the National Guard. Thank you for allowing me to speak to you today on behalf of my fellow soldiers and airmen. I'm a married father of three beautiful children. My wife teaches kindergarten at Everett Elementary School, not more than a few blocks from here. My oldest attends elementary school and my two youngest are at daycare all here in Lincoln. I am proud to call Lincoln and the state of Nebraska my home. I joined the National Guard when I was just 17 years old and still in high school. Joining the military was always my path, but I never imagined it would play such a huge role in my life. I can tell you that joining the National Guard was one of the best decisions of my life. I've met many different people throughout my career. As a medic, I've worked alongside some of the finest surgeons in our state. My former commander was a lawyer when he wasn't at drill. I've made friends with welders, carpenters, trash collectors, and railroad workers. I tell you all of this to say that passing this legislation doesn't help just one small group of people. Enacting LB1394 would be beneficial for college students managing tight budgets, working families like mine, and indeed all soldiers regardless of their socioeconomic status in our diverse community. In 2023, I paid \$2,700 in state income tax. In today's economy, that's about the equivalent of sending two small children to daycare for a month. For a traditional drilling guardsman, however, this legislation could be enough to help them purchase medical or dental insurance. That amount of money could be the difference-maker to many of our younger soldiers who are considering leaving the service after their initial tour is complete. After spending hundreds of thousands of dollars and countless man hours training these skilled soldiers, their absence is not taken lightly by their leadership. The loss of colleagues, who come to be more like extended family, are not taken lightly by their

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peers. Members of the committee, I am grateful for the continued opportunity to serve my country and the state of Nebraska. I'm grateful for the pay and benefits I receive. Please consider: the National Guard is now and will continue to stand ready to serve Nebraskans when tragedy strikes, within the state and nationally. I urge you to pass LB1394, demonstrating this community-- committee's commitment to supporting our servicewomen and men, their families, and all Nebraskans who rely on the National Guard family for care during challenging times. May God bless you and guide you in the decisions you must make. Thank you for your time and attention.

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

RYAN McINTOSH: Good afternoon, Chair Linehan, members of the committee. My name is Ryan McIntosh, M-c-I-n-t-o-s-h. And I appear before you today on behalf of the National Guard Association of Nebraska, which includes current commissioned officers and warrant officers in the Nebraska Army and Air National Guard. We're grateful to Governor Pillen and Senator Brewer for bringing this measure to the committee and for championing our soldiers and airmen. The National Guard Association continues to have growing concern over the current recruiting numbers in Nebraska. Recruiting shortcomings in the Nebraska National Guard can be attributed to many things. I won't cover the data, as Colonel Fineran and Major General Strong has already explained that to the committee. We do believe that this pay exemption will be a great incentive to both recruit and retain our soldiers and airmen. In addition to the tens of thousands of soldiers and airmen that have deployed in support of Operation Iraqi Freedom and Operation Enduring Freedom, the Nebraska National Guard continues to have soldiers and airmen deployed throughout the globe, including the Middle East, the Horn of Africa, and in support of the war in Ukraine. Likewise, the state of Nebraska has relied on the Nebraska National Guard ever increasingly for responses at home. This includes the 2011 and 2019 floods, COVID-19, civil unrest in Lincoln and Omaha in 2020, and combating wildfires year after year after year. Manning the force is imperative to retaining the readiness that Nebraska is accustomed to relying on. With that, we urge you to advance LB1394. And thank you for your time on this.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much for being here. Are there any other proponents? Good afternoon.

JENNIFER CREAGER: Good afternoon, Chairwoman Linehan, members of the committee. My name is Jennifer Creager, J-e-n-n-i-f-e-r C-r-e-a-g-e-r. Senior vice president of public policy at the Greater Omaha Chamber. I'm here today in support of LB1394 on behalf of the Omaha Chamber and the Lincoln Chamber of Commerce. We thank Governor Pillen and Senator Brewer for bringing this to the committee. Our support for this proposal is twofold. It goes to factors previously outlined: fairness to those who serve all of us, not just in their regular training and duties, but especially when they are called to respond to local and national-- and international duty. This all go-- also goes to recruitment. A call to duty is disruptive to those who serve as well as to their families. Taxing them for undertaking these responsibilities seems punitive. In addition, it's been the long-term policy of the Greater Omaha Chamber and the Lincoln Chamber of Commerce to support policies aimed at making Nebraska the most military friendly state in the nation. Adoption of LB1394 would go a long way to achieving that. Thank you for your time and consideration. I'm open to any questions that you have.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none. Thank you very much. Are there any other proponents? Are there any opponents? Are, are there any-- does anyone want to testify in the neutral position? Would you like to close? Tony. Want to close? Waiving closing. We have six proponents, one opponent, and one neutral. With that, we'll close the hearing on LB1394. And then. When you look inside. I work that. I like in. There's just that. Well, which ones first? Well that time you. Yeah. Get the other one. You're going to take over.

von GILLERN: But.

LINEHAN: I don't know what you can.

von GILLERN: Tell me with 1 or.

LINEHAN: 2.

von GILLERN: But that's just it.

von GILLERN: We're going to open testimony on LB1410. If you could clear the room or quiet the room, please.

LINEHAN: Thank you, Ryan.

von GILLERN: Welcome, Senator Linehan.

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LINEHAN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. And I'm with Leg-- I am from LD 39. I'm here today to introduce LB1410 on behalf of the Governor. LB1410 amends the Imagine Nebraska incentive program to recognize tax rate reductions that we did last year and meet this-- needs of the state of Nebraska in a more targeted and aggressive manner. So I'm going to just mention something here that we've talked about months, Revenue Committee, but to get it on the record. Much of what we did last year and what we're trying to do this year follows the ideas and suggestions that were laid out in blueprint, which included lowering our overall tax rate on income taxes and expanding our sales tax base. And we've done some of it. We haven't finished the job. LB1410 adjusts the tax credits earned proportional to investment and job creation requirements within each incentive tier. Any new targeted investment tier is created to replace what is in current law. LB1410 will also allow tax credits to be used for workforce housing investments and up to 50% of child care costs for employees. This, again, is like Senator Ballard's bill. It's about getting people here and helping people so we can improve our workforce. As a member of the Governor's Workforce Development Working Group this past interim, I heard stories of the workforce housing shortage all around Nebraska. This adjustment to the tax credits and retargeting of credits towards needs that were shown through the working group will help create-- ensure-- excuse me-- that Nebraska employers' employees will be able to better thrive within the state's working environment. I have previously mentioned some of these, but the following items are all part of this bill to improve workforce elements in the state: credits targeted to-- in a more appropriate way for today's Nebraska work environment; adjust tax credits earned proportional to investment and job creation within each incentive tier; creates a new targeted investment tier to replace current law; allows use of tax credits for workforce housing-- a key need in Nebraska right now; allows tax credits to be used to assist child care costs for employees-- another key need right now in Nebraska. And adjustments of credits and other tiers will allow for those credits to now be used in the new tier. Thank you for consideration and I would appreciate your support of LB1410. I'm happy to answer any questions.

von GILLERN: Thank you, Senator Linehan. Any questions from the committee members? Seeing none. We will move on to proponent testimony. Welcome up the first proponent. Afternoon.

DAVE DEARMONT: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. For the record, my name is Dave Dearmont.

That's D-e-a-r-m-o-n-t; Dave's the first name. I'm the research director and chief economist at the Nebraska Department of Economic Development. I want to thank you for the opportunity to testify in support of LB1014 [SIC] to enhance Imagine Nebraska Program and make it more people focused. Imagine was passed-- the Imagine Act was passed in 2020, and it is-- it's more people- and workforce-oriented than its predecessors: LB775 and LB312. But there's-- there were still some shortcomings. And it-- and this bill goes to some extent to, to alleviate those. It, it expands the use of child care cre-- expands the use of the child care credit. Currently, you could use a child care credit but only at, at the qualified location. And that doesn't work very well for most businesses. So this would allow a-- the bill would allow a employer to pay up to 50% of the-- of an employee's child care credit, use their child care costs and use tax credits for that. It also allows the tax credits earned to be used for investment in workforce housing. That's-- workforce housing is defined as the, the same way as the Rural Workforce Housing Act. This bill would be-- bill also adds a, a new productivity level, calling it for manufacturers only. So it allows-- or, for a \$50 million incre-- \$50 million investment. And it would allow employers, if they're paying 100% of the statewide average, to, to earn credits, even if they have a slight-- without a, a employment increase or even with a small employment decrease. I'd just like to say that this bill is-- actually fits a lot more with the economic development realities that we're seeing, what businesses that are looking for, what they need along the lines of investment, investment in housing, investment in workforce. And I'd like to thank the committee for their work to strengthen Nebraska's business incentive programs. And I appreciate your consideration of these changes. And I would welcome any questions from the committee.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you, Mr. Dearmont. Welcome out-- welcome up the next proponent. Any other proponents for LB1410? Seeing none. We'll welcome up any opponent testimony.

CHAD DENTON: Vice Chair, members of the Revenue Committee. Thank you for allowing me to be here today. My name's Chad Denton, and I'm speaking on behalf of the Omaha Chamber. I've worked with the Chamber and other Chambers over the last 20 or so years and was involved in the working groups that led to the creation and passage of both Nebraska Advantage and Imagine Nebraska Programs. And I'm commenting in opposition to LB1410. There are two general reasons for the opposition. It's the reduction of credits by \$83.7 million and both

reality and perception that the state of Nebraska is significantly changing our mainline economic development tool only after a few years, with a ten-year commitment to that bill. So the three points I hope to make are: one, is it's too soon; two, the reductions of credits is significant, but even more significant when you compare levels just from four years ago; and finally, other parts of the bill are well-intentioned, but will these actions lead to desired outcomes? The first point is, I do believe it's too soon to make significant changes to Imagine. Imagine was a multi-year consensus-building process that required us to address a lot of issues and concerns from multiple parties, including the Legislature. There were significant changes. And for my purposes, I'm just bringing up a couple. But Imagine Nebraska took steps to incent high-quality jobs. Wages are significantly higher. Case in point, wages of Nebraska Advantage in its last year was \$13.35 an hour. Today, the lowest possible wage for a 2024 applicant nonmanufacturing is \$24.77 an hour. Imagine requires full time, not part time. Employees must be offered health insurance, receive sufficient benefit plans. There's transparency and accountability in the program. There's now a program cap. Generally speaking, [INAUDIBLE] credits earned by company and attainment thresholds are higher for at least three tiers than they were under the prior program. The second point is LB410 [SIC] is reducing credits in every tier category. \$83.7 million is a significant decrease; but when coupled with the changes from Nebraska Advantage just four years ago, it's even more significant. So just one example-- and I'm only focusing on investment credits between two equivalent tiers between the two programs. But in 2020, Nebraska Advantage under [INAUDIBLE], a company earned a 10% investment credit. In 2021, under Imagine, it was 7%, or a 30% decrease. Under LB1410, the investment credit would be 4%, which represents another 40% decrease over the prior year. Point three, and my final point, is that there are well-intentioned parts of this bill with some caveats, questions. LB1410 is \$50 million for manufacturing locations, which creates a lot. It requires utilization of workforce development, which creates questions. And our companies--

von GILLERN: Can you wrap up your comments, please?

CHAD DENTON: Yeah. I'm sorry. No matter what anybody says, credits do impact profits and it, it impacts costs. These credits are necessary to allow our companies to be competitive across the landscape of business across all states. Thank you.

von GILLERN: Thank you. Thank you. And before I forget, could you spell your name for the record?

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CHAD DENTON: Chad Denton, C-h-a-d D-e-n-t-o-n. Sorry.

von GILLERN: Thank you. Are there any questions from the committee members? Seeing none. Thank you for being here, Mr. Denton.

CHAD DENTON: All right. Thank you.

von GILLERN: Next opponent.

NICK NIEMANN: Good afternoon. And thank you, Vice Chairman, for the opportunity to be here today to speak on behalf of the Omaha Chamber and the Nebraska State Chamber. My name is Nick Niemann, N-i-c-k; Niemann, N-i-e-m-a-n-n. I'm with the McGrath North Law Firm in Omaha. Mr. Dearmont mentioned the, the three bills that have kind of made up the, the principal economic development package for Nebraska for the past several years: LB775, enacted in 1987; LB312, Nebraska Advantage Act; and then, of course, the ImagiNE Nebraska Act enacted in 2020. We're-- I'm here really because of my involvement in all three of those over a period of time. And something that we saw in terms of all three of those bills, the two predecessors and, and-- plus ImagiNE Nebraska. And now the-- this bill relates to amendments to, to ImagiNE Nebraska-- is that we saw great collaboration between the business community on behalf of the citizens of Nebraska and the businesses of Nebraska as-- collaboration with business community, the State Legislature, and the Governor's Office. Part of our concern-- and, and Chad mentioned some of the specifics on the details-- but part of our concern is that while we appreciated being involved with the Governor's workforce and group, as well as with his valuation group, we haven't seen the collaboration here. And it's a very difficult job to try to attract companies, to stay competitive, to really have a good feel for what is it that would attract companies. And so here we do see those reductions in the jobs credit and the investment credit that are proposed in this bill. That's very concerning as far as our competitiveness with the state. So I think with more collaboration, there'd be an opportunity to hear that out better and to understand the reasons behind that. Also, a second concern is really commitment. I think Nebraska is known for, for both of these: collaboration and commitment. And with the ImagiNE Nebraska Act, there, there was a-- as the business community sees it and as the economic developers go out and try to sell the state for companies to come here and to stay here and to grow here, there is that commitment. And ImagiNE Nebraska had a ten-year commitment. And that's not to say you can't change it, but it is to say that, that to change it in a way that has a significant reduction in two of the main incentives we think is harmful to the

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economic development capacity here in Nebraska. Thank you for letting me be here today. And happy to take any questions.

VON GILLERN: Thank you. Any questions from the committee? Senator Kauth.

KAUTH: I do have one question. Thank you, Vice Chair. Mr.-- it was Niemann, right?

NICK NIEMANN: Niemann.

KAUTH: Mr. Niemann. So you were saying that there was a ten-year commitment with Imagine Nebraska. Was that also predicated, though, on, on us getting to the goals of blueprint? And since we've-- we got a lot of those done-- I guess I'm wondering, are we holding to that ten-year agreement just for the ten years or are we saying, hey, we've, we've made significant strides, so we need to start bringing that down?

NICK NIEMANN: So the, the ten-year provision is in the application section of Imagine. And, and it says: no applications after December 31 of 2030. So it was enacted in 2020 and, and, and, and, and no more applications after that date. So that's how-- that's why we see that as that ten-year commitment that sunsets at that point. It wasn't really conditioned on achieving certain goals or certain metrics.

KAUTH: Thank you.

NICK NIEMANN: Thank you.

VON GILLERN: Any other questions from the committee? Seeing none. Mr. Niemann, thank you for being here.

NICK NIEMANN: Thank you.

VON GILLERN: Next opponent testimony, please.

JASON BALL: Thank you, Mr. Vice Chair, members of the committee. I appreciate the opportunity to speak with you again today. My name is Jason Ball. That's J-a-s-o-n B-a-l-l. I'm the president and CEO of the Lincoln Chamber of Commerce. And I appear today to appear in opposition as drafted to LB1410. And if I could just contextualize this with a little bit of my background. I'm a, I'm a Sidney native. I grew up as a Sidney kid in the shadow of Cabela's, and I know what economic development means to small communities. Since then, I've gone

to become a certified economic developer. I have practiced economic development in four states. I've been to the rural community twice. I've been in a suburban community once. And I've been in the larger city twice. I've worked on projects that are as small as one person operations all the way up to phase-one multi-billion dollar investments planned over a period of ten years in, in Texas. I've negotiated incentives and I have visited headquarters and spoken with companies that are evaluating the choices they have in multiple states. And because of that background, I'm asking the committee to exercise just some caution in considering the changes that are being made to ImagiNE Nebraska. As other folks have commented, ImagiNE Nebraska is still new. It seems-- to me, at least-- premature to be considering making the kind of changes that would potentially impact our competitiveness. Re-- regarding the tax credits specifically, I want to encourage the committee to please consider that just because we have passed historic and necessary and impactful income tax cuts in previous legislative sessions-- which we supported enthusiastically, by the way-- somehow that might mean that we, we don't need to pursue incentives to remain competitive as a state. Respectfully, I would submit: in my experience, that's just not how it works in economic development. If I can give one brief example. One of the projects that I worked during my time in Texas, a state with a 0% income tax was going to make \$1 billion phase one investment in our community. Was very clear and up front. They wanted to locate in our community. It, it had to do with their logistics network. The-- Texas just served their needs better. We were competing with the Research Triangle in North Carolina, a state that does have an income tax. We put together the best package we could. I assume North Carolina put together the best package that they could. We ended up losing that project. And we, we said to them, look how much more competitive we are. We have, we have low income ta-- or, no income tax here. We still lost it because our aid to construction on the project, the incentive component, was not as competitive as what the other state could put together. So these are complicated situations. I would just urge some reconsideration on that because now is the time to really compete. We are seeing historic reshoring of manufacturing opportunities. I am out of time, so I will wrap up--

von GILLERN: Thank you.

JASON BALL: --my comments and thank you and address any questions.

von GILLERN: Thank you for being considerate of that. Any questions from the committee members? Thank you for being here, Mr. Ball.

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JASON BALL: Thank you.

von GILLERN: Any other opponent testimony?

HEATH MELLO: Good afternoon, Vice Chairman Gillern-- von Gillern and members of the Revenue Committee. My name is Heath Mello. It's H-e-a-t-h M-e-l-l-o. And I have the honor to serve as president and CEO of the Greater Omaha Chamber of Commerce. On behalf of the Greater Omaha Chamber and our nearly 3,000 members, I want to thank Governor Pillen for involving us with his workforce working group this past summer and Senator Linehan for introducing the legislation before us as a starting point for how economic development incentives need to continue to adapt to the new realities facing our state and region. While we are opposed to the green copy of LB1410, I want to make clear that there are parts of this initial proposal that we strongly support. We strongly support the intent to expand allowable uses of credits for child care and housing purposes. However, we would like LB1410 amended to not exclude Douglas, Lancaster, and Sarpy counties from being able to use credits for housing. The Greater Omaha Chamber is also supportive of the new concepts in this bill that create incentives for manufacturers to modernize their operations. We know when industries have workforce shortages. Technological modernizations to how a manufacturer operates are often necessary to maintain profitable production levels. Perhaps the main concern about LB1410 from an economic development organization like the Greater Omaha Chamber is that we perceive that these changes would weaken Nebraska's competitive position in global economic development. Frequently, there is a lot of attention placed on recruiting new-to-market companies, and that comprises a significant amount of time of our organization's staff time. However, our concerned-- our concerns do not impact just business attraction efforts. The proposed changes in LB1410 would also have a significant impact to our existing Nebraska companies who are considering growth opportunities. It is vital that we are able to capture those growth opportunities, both in Omaha and across Nebraska, and not cede them to Dallas, Denver, or Nashville. Based on our day-to-day economic development work, other metros and states are recruiting our medium and large companies to either move out of the greater Omaha area or to expand their operations in their states. We also know that other locations are offering incentive packages for them to make the jump from our state. Economic development is a hypercompetitive field, where regions and states are consistently reinventing themselves to win the key growth opportunities that drive high-wage primary jobs. While we find that many of the changes in LB1410 to be helpful in that pursuit, we also feel we need to lean in

to being more competitive by not reducing the effectiveness of the existing Imagine Nebraska Program. The Greater Omaha Chamber commits to working collaboratively with Governor Pillen, Senator Linehan, and this committee on LB1410 to move us towards a supportive position. Thank you again for your time. And I'd be happy to answer any questions you may have.

von GILLERN: Thank you. Any questions from the committee members? I have one-- or a couple, possibly. Can you add some context to-- I believe your comment was that this could be-- that this could have a negative impact to existing Nebraska companies. Can you explain how that could be?

HEATH MELLO: You heard a couple of prior testi-- testifiers. Mr. Niemann, Mr. Denton explained a little bit with the changes in LB1410 that reduce the credits available under the-- under LB1410 that we feel to some extent that, that limits the opportunities for local companies to want to grow. If you currently were to apply today for Imagine Nebraska, you would be at a certain level that LB1410 would reduce you down to if this was to become law. So we feel to some extent, while we share a viewpoint of wanting to help Nebraska companies grow and expand, we feel that reducing the amount of credits or incentives we would be offering them to grow in Nebraska feels a little counterintuitive to the concept of, of wanting to help them in comparison to the view that we're only out trying to attract new-to-market companies.

von GILLERN: OK. Thank you. And then you're the first, I believe-- unless I missed it-- you're the, the first to mention that Douglas, Lancaster, and Sarpy counties are excluded. I imagine as the head of the Omaha Chamber that you feel that's important, an important exclusion--

HEATH MELLO: Well, that's a great--

von GILLERN: Would you like to comment on that?

HEATH MELLO: That's a great, that's a great point, Senator von Gillern. I, I think that-- as I said, there are clearly some really great aspects in this bill that we support. We just find it to be unfair that a company that was to get an Imagine Nebraska tax credit in Washington County, which is an area we represent for economic development purposes, could use the credits for housing purposes. But if they were in rural Douglas County or they were in Sarpy County or

Lancaster County, they couldn't use those credits. So we, we just want to make sure, if we're going to be able to use credits for housing purposes, it shouldn't matter where that housing is at the end of the day. It should be based upon the company choosing to use those credits at [INAUDIBLE] for the purposes that would best benefit their effort, their project, and their workforce.

von GILLERN: Any other questions from the committee members? Seeing none. Thank you for being here, Mr. Mello.

HEATH MELLO: Thank you.

von GILLERN: Next opponent testimony. Good afternoon.

LISA HURLEY: Good afternoon. Thank you for allowing me the opportunity. My name is Lisa Hurley, L-i-s-a H-u-r-l-e-y. I'm from the York County Development Corporation. And I'm here today representing the Nebraska Economic Developers Association in opposition of LB1410. We believe that changes to ImagiNE are premature. Applications have only been open to incoming businesses or existing businesses looking to expand since January 1 of 2021. Very few, if any, of the companies have been able to even draw down credits at this point because they've not hit the statute where they're able to. There needs to be time for the impact to be analyzed when the companies start drawing down credits before making significant changes to the program. One of the reasons ImagiNE was enacted was to address a bait and switch reputation that Nebraska Advantage had developed nationwide. We risk repeating the national reputation damage by making significant changes before the program [INAUDIBLE] is fully ramped up. And this is a change that has already been noticed by site selectors because I, I spoke to one this morning that called me on a project. And it, it puts us at an extreme disadvantage. Nebraska risks lowering its competitive postures with these changes. The credit percentages are already significantly cut down from Nebraska Advanta-- Advantage, which is still being drawn down. It includes significantly higher wage thresholds to qualify for the program as well as additional regulatory requirements that make it more company-- for our companies to qualify. With these proposed changes, Nebraska's mainline incentive program will now have a less competitive percentages than programs in other states. NINED-- NEDA has lo-- been a long-time advocate for additional resources to address the workforce shortages across Nebraska. In fact, when originally drafted in 2019, our original propose-- proposal included the expanded use of benefits for child care purposes similar to what's drafted now. We strongly support this provision. We also

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have supported expanded programs for housing. Adding these-- and I'm out of time. So what questions do you have?

von GILLERN: You're welcome to close quickly. You have a closing comment.

LISA HURLEY: Adding these provisions is just gonna make it harder for us to continue to expand our existing businesses or recruit additional high-wage jobs into the state. And we are more than happy to come to the table and have discussions and collaborate to figure out how we can move forward.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you for being here, Ms. Hurley. Any other opponent testimony? How many others are planning on testifying? OK. Thank you. Good afternoon.

MIKE BOYLE: Good afternoon. I'm Mike Boyle, president of Kawasaki Motors here in Lincoln. I'm also representing the Nebraska Chamber of Commerce, which incru-- includes the Nebraska Manufacturing Alliance. I'm going to explain two Kawasaki development projects to prid-- pride-- provide some context to my later comments on LB1410. In 2021, we announced a \$200 million expansion project at our Lincoln plant that would add 550 jobs over three years. Part of the \$200 million investment was adding over 75 robots. These robots reduced the need for us to hire over 200 more people. Without the robots, we'd have to hire almost 800 people. In the current workforce environment, hiring 550 was going to be really difficult. Hiring 800 would have been too much risk for our, for our project. And without the automation, we wouldn't have expanded in Lincoln. The next project involved our plant in Maryville, Missouri. We needed to add 450 people to increase production at that plant. The local workforce population couldn't support the growth, so we had to look for other locations. In this case, automation was not viable due to the high cost and long lead times to automate the processes in our Maryville plant. We conducted a survey of 47 locations in four states before settling on a new plant in central Missouri. Lincoln had a great site that we could have used and moved into immediately near our current plan. And for management purposes, I would have loved to use the Lincoln site. But hiring 450 people for this project on top of the prior 550 just made this impossible for-- to-- for us to do. And talking with other manufacturers around the state about their hiring problems in Nebraska, we really couldn't select another location within the state. That's why we chose Missouri. When Nebra-- Imagine Nebraska was

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introduced a few years ago, the business incentives were lower from-- than compared to Nebraska Advantage. LB1410 further dilutes those incentives by reallocating incentives to pay for new child care and housing benefits, which are very important to workforce. In the current version of, of the bill, it's also very not clear what-- how the new child care and workforce benefits will help business expansion. And diluting the main incentive benefits may reduce our ability to attract business nationally and probably reduce some internal investment within Nebraska. It takes quite a bit of effort to qualify for the current incentives. By lowering the benefits, it may not be worth our while to apply for those. Nebraska manufacturing agrees that automating is key component for combating the workforce shortage. Majority of Nebraska manufacturers are small to medium-sized. They struggle to justify the expense of new automation projects, particularly their first automation project. Automation projects require additional technicians, programmers, engineers, and maintenance staff. For us, it's relatively--

von GILLERN: Can I get you to wrap up your comments, please, in consideration of time?

MIKE BOYLE: OK. So one of the main qualifications for incentive benefits is to add workforce. And the workforce is very difficult to achieve. So by automating, we-- to-- because of the workforce shortages in the state, we ru-- you know, we lower our chances to qualify for the incentive program. So all we're saying is that we appreciate the effort to look at workforce improvements within the state. But we-- I think we need to really step back a little, a little bit and look at what this--

von GILLERN: Thank you.

MIKE BOYLE: --what this is-- going on in LB1410. Thank you.

von GILLERN: Thank you for your comments. Any questions from the committee members? Seeing none. Thank you.

MIKE BOYLE: Thank you.

von GILLERN: Thank you for being here, Mr. Boyle. Any other opponent testimony? Seeing none. Would anyone like to testify in the neutral position? Seeing none. Senator Linehan, would you like to close?

LINEHAN: Oh, yes. I just asked to see a copy of the Governor's opening statements. And I can see by glancing at it what he said from the

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heart's not in the written statement. It was probably his staff trying to protect him. But my staff's not here to protect me, so. I, I can't believe this. We have had a conversation for years about cutting the top rate so we wouldn't have to depend on a big incentive package. That has been the conversation since 1989. Last year, after we got done here and we got the tax rate-- it's not there yet, but going to LB399-- I got calls from people I've known for a long time who said, I've been told for 30 years that could never happen. Never happen. One of the reasons it's not happened before last year is because if you're a big, big company or you're very wealthy, you can access these programs. You have the accountants-- which we know from yesterday, they don't pay sales tax on-- and the lawyers that you don't pay sales tax on. So they can get you through all the loops for these programs. But not the little guy in the corner store who's trying to grow a company. He doesn't have a lawyer or, or an accountant to help him figure out how to use these programs. I think what irritates me the most is-- we're not collaborative? The Governor had two working groups since August. Senator von Gillern was on one. Senator Albrecht was on one. Senator Bostar was on one. Senate Kauth. Both groups were-- well, working group was, like, I don't know. Huge. We had to meet off-- we had to meet at the university to have a big enough room. And I don't know, what, were there 30 or 40 people on the valuation group? So they've had since August to come up with an idea about how to solve these problems. Nobody's brought an idea forward. And every idea we discussed yesterday was not. The only thing they're agreeing here in this week is when we're doing another tax deal, when we're giving back money. That's all people have come in to support. No way to pay for it. And here, we've heard-- I don't know. The Chamber, every time they talk, talks about 80,000 open jobs that we can't fill. But yet we should keep incentivizing more jobs and not incentivize people. Let's go to the child tax credit thing that I didn't hear near enough rah-rah from. You're a young couple. You both work. You might even be professionals. You could be making \$150,000 a year. Sounds really good. Got two kids and you're paying \$24,000 a year in child care that's not deductible. Not so good. So here's an opportunity to help them. I didn't hear near enough talk about how that would be helpful. We-- it's just-- and unfortunately, the Governor didn't put it in his written statement. We represent the people that aren't in this room. That's who we represent. And I agree 100% with the Governor. That's who we need to be thinking about. Thank you.

von GILLERN: Any questions from the committee members? Seeing none. Is there a question? Seeing none. Thank you, Senator Linehan.

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LINEHAN: You're welcome.

von GILLERN: That'll close our hearing on LB1410. We'll open on LB1414. And welcome back, Senator Linehan.

She. Right. I do need a five minute break.

von GILLERN: That's a sin. Do you want to know what my five minute break. Is going to be?

LINEHAN: Camera still on? Do you mean other? Yeah.

von GILLERN: If we could quiet the room, please. And we'll go ahead and get started. Senator Linehan, welcome.

LINEHAN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I am Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm from LD 39. I'm here today to introduce LB1414 on behalf of the Governor. LB1414 adopts the Property Tax Growth Limitation Act, placing a cap on local and political subdivisions other than school districts. LB1414 requires political subdivision's property tax requests to be equal to the political subdivision's property tax request form the prior year. Certain factors within the act are excluded from this cap. Any amount approved by the voters and any amount needed to pay the principal interest [INAUDIBLE] the real growth defined under the act. Political subdivisions have an option of carrying forward year over year up to 5% of the unused budget authority that they chose not to use to increase property tax requests. To recraf-- recap, the following items highlight the benefits of what this act does: caps local subdivision growth other than school districts to zero year over year, with the exceptions ase-- as voter approved amounts, principal and interest payments, and real growth and real property year over year. Political subdivisions can bank up to 5% of unused budget authority for use in future years. As a member of the Governor's Valuation Reform Working Group this past interim, I heard stories of the issues taxpayers are facing with property taxes all around Nebraska. This necessary capping of local levying authority helps to ensure that growth is done in a reasonable and responsible manner to help taxpayers across the state feel and see real property tax relief in the immediate future. So one of the problems we've had this-- but I don't think we can say it enough times-- the last six years, we have done \$1 billion, with a B, of tax relief. But property taxes have gone up \$1.3 billion. So we have to do something on the spending side. And we can't-- and-- the state has

done a pretty good job on the spending side. We need to find some partners. And this is the-- we need to encourage those partners. So with that, I would appreciate your support for LB1414.

von GILLERN: Thank you, Senator Linehan. Any questions from the committee? Seeing none. We will welcome the first proponent testimony. Good afternoon.

LEE WILL: Afternoon. Vice Chairman von Gillern and members of the Revenue Committee. My name is Lee Will, L-e-e W-i-l-l. And I'm the chief financial officer for the state of Nebraska. I'm appearing today on behalf of Governor Pillen in support of LB1414 and LB1415. Senator Linehan's LB1414, at the request of the Governor, provides for a hard cap, with limited exceptions, on overall property tax collections to ensure that Nebraska ha-- Nebraskans have certainty when they open up their property tax bill. The hard cap provides this certainty by limiting Governor-- government growth and removing many of the special exemptions to the rule. Combined with the automatic levy rollback in Senator von Gillern's LB1241, we can ensure that when your valuation of your home goes up, your property taxes do not. This is accomplished by reducing the levy rate in lockstep with the valuation increases. Put simply, property taxes should be looked at as what we pay, not a convoluted mathematical formula. The facts speak for themselves. From 2018 to 2023, the state provided \$3.5 billion in property tax relief. Even with this funding, property taxes rose from \$4 billion to \$5 billion, a 24% increase overall. This is simply unsustainable for Nebraskan families who can avoi-- avoid paying the taxes on their homes. We must rein in spending at every level of government while also allowing for communities to grow and Nebraska to prosper. Senator Dover's LB1415 works in tandem with LB1414 to ensure ongoing property tax reform. This legislation provides for the front-load of the previous LB1107 credits, which will be instead taken directly off the property tax statement. This front-loading of the credit will reduce property taxes equating to 30% of our overall school taxes paid. Additionally, the Governor's recommendation outlines the distri-- distribution of a new credit, which equates to \$975 million in '25. This credit is intended to grow by \$25 million per year to provide direct, enduring relief to the property tax problem. The combination of previously passed legislation, front-loading credits, and the new \$975 million credit will reduce the property tax burden from \$5 billion to \$3 billion, equating to a 40% reduction in property taxes. It is essential that this be paired with a hard cap to ensure the relief stands the stest-- the test of time and is not eroded on continued growth and special exceptions. I wanted to briefly thank the

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many passionate legislators who worked on this issue as well as NACO and the League of Municipalities for the contribut-- contrit-- contributions and devotion to building solution to the property tax crisis in the state. I'd like to hand out, if I could, some handouts to the committee. And I'd be happy to take any questions.

VON GILLERN: Thank you. Any questions from the committee? Yes, Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you, Mr. Will, for being here.

LEE WILL: Yup.

DUNGAN: Can you go into a little bit more detail about the ways that this would account for growth?

LEE WILL: Yeah, sure.

DUNGAN: I know they're outlined a little bit, obviously, in the op-- opening. You talked about that. And I see a little bit in the fiscal note. But beyond just the vote of the people--

LEE WILL: Yeah.

DUNGAN: --could you go into a little bit more detail about how this accounts for growth in a community that might be rapidly growing, like Sarpy County or something like that?

LEE WILL: Absolutely. It actually accounts for new construction. If there is developments on the land, it would allow for that entity to provide additional to their tax base. What we wanted to prevent is the local homeowner is picking up the burden of that development. Now, if a development comes in, acts-- adds to that property tax base, conceptually that new development would be paying more in property taxes and the residents would not. So it's going to allow for the community to grow, but it's going to allow for certainty for the homeowners that they're not going to be paying more. So in the revenue current statute, it outlines what real growth entails. And I think NACO and the league could probably go into further analysis on that. Thank you.

DUNGAN: And could you also outline a little bit more that 5% carryover that it allows for here?

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LEE WILL: Yes. So in the bill as drafted, it's, it's 0% hard cap. And there's exempt-- exceptions for bond indebtedness, real growth, interlocal agreements, I believe. I'm just going off the top of my head. So essentially, we didn't want the locality just to go up to the property tax max because they have the ability to. So we wanted the-- incentivize the behavior to do the right thing. And then in future years, if they have to assess some property taxes to make up for, they have the ability and flexibility to do so. So we just didn't want it to go fully to the growth rate just because they had to pay for future expenses. We want some certainty in the future. Does that make sense, Senator?

DUNGAN: Yeah. Thank you. I appreciate that.

von GILLERN: Thank you. Senator Bostar.

BOSTAR: Thank you, Vice Chair. Thank you, Mr. Will, for being here. And I, you know-- having been on the working group, I've seen, I think, some previous iterations of this chart that you've handed out. Could you just take a minute to, I think, kind of walk through this?

LEE WILL: Yep. Thank you, Senator Bostar. So there's a lot of numbers here. Excuse me. I'm a finance guy. [INAUDIBLE] my trade, so. On the left-hand side, you'll see the 2023 property taxes. And these are the actual taxes that have been levied and paid, ultimately. After we have the 2023 property taxes on the left-hand side, that's equates to \$5.3 billion. We provide about \$500 million between the property tax credit fund and the Homestead Exemption Fund, which are in existence today and in current law. So those are in the green boxes that you see there. Now, if we switch to 2024 property taxes, you could see you start with the same baseline: \$5.3 billion. And you have to reduce the community college property tax relief that was passed last year by the Legislature. That's about \$225 million reduction. I have factored in 3% just to account for the growth and other exceptions just so you can-- you know, it's 0% plus-- just so we get an indication of-- there, there could be some potential growth rates there. And then in 2024, you kind of get your rebase of the-- what it looks at for property taxes levied. And then we carried forward after that the existing programs, what you see in green there-- property tax credit homestead exemption. And then we start getting to the new credits. So the 30% school tax is front-loaded, which is \$749 million. You see on your sheet in the yellow. That has taken the LB1107 incentive credits that were done on the individual income side and put it on the front property tax side. And then the new credit, which will be generated

through sales tax exemptions, looking at the sales tax rate and other things you guys had in front of the committee yesterday to provide to get to 40% reduction. So if you can look on the left-hand side in the green, it's \$4.8 billion, which is the adust-- adjusted taxes paid by Nebraskan residents and, and business owners. And then we get down to \$2.9 billion, which is a 40% reduction in property taxes. Now, I also modeled 2025 and 2026 because what we've seen is a blip. We've seen property taxes stave off growth, but we actually haven't seen them reduced. So we're going to reduce property taxes 40%. And in these models, we can ensure that property taxes are going up on a basis overall of 2%. So we reduce it 40%, and then we could maintain that overall property taxes go up too, which I think is, you know, far more realistic than a lot of families are witnessing with their property tax bill today. So that, that's a lot of information there. And I'd, I'd be willing to take additional questions or take questions offline as well.

BOSTAR: Thank you.

LEE WILL: Yep.

von GILLERN: Other questions from the committee? OK. Seeing none. Thank you, Mr. Will.

LEE WILL: Thank you.

von GILLERN: Next proponent.

MARK MCHARGUE: Good afternoon, Vice Chair von Gillern and Revenue Committee. My name is Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I'm president of Nebraska Farm Bureau. Farmer in Merrick County. More importantly, and I also represent the ag leaders. It's been quite a week. We've covered a lot of things this week and a lot of different topics. I've learned a lot personally on the, on the issues of property tax. But I am here to-- today to support this bill. LB1414 establishes the Property Tax Growth Limitation Act. Under the act, political subdivisions-- they would be counties, cities, villages, learning communities, sanitary and improvement districts, natural resource districts, or educational services. And fundamentally, this bill, except as otherwise provided, a political subdivision property request for any year would not be able to exceed its property tax request authority. That request authority would be an equal amount to the political subdivision's property tax request from the prior year. As I mentioned before, I did sit on the Governor's task force on

taxes. This is a really, really key part of the conversation we had. I mean, we've, we've talked a lot this week about the fact that we have to do something substantial in order to really curb where we're going on property tax. We've done a lot of things over the years. We've made a lot of improvements over the last couple years. But this is one of the final steps in this process to ensure that we get to where we're going. There has been several comments on-- some caveats to this. One of the things that I do like that-- this allows-- even though that we are putting a hard cap in, there is a way for the majority of legal voters to, to overturn this. At an election, I think that's important. We also talked about there's an exception for repairs and infrastructure in case there's a natural disaster. We know that that does happen, unfortunately, in Nebraska. And we also realize that a percentage equal to the political subdivision's real growth, real growth factor is important as well. But finally, I, I think when we look at it all together, there's not a, there's not a perfect bill, quite honestly. But as we work forward to resolving, the questions around how do we move forward, the ag leaders are together that we need to do something substantial. And again, this is the year to do it. This is something that we really haven't dipped our toe in, but I think it's something that could absolutely take us to the point of being very competitive and have a balanced portfolio in our taxing structure in Nebraska. Be happy to take any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you, Mr. McHargue. Next proponent.

CARTER THIELE: Hello. Thank you, Vice Chairman von Gillern and members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I am the policy and research coordinator for the Lincoln Independent Business Association. As advocates for risk-- for fiscal responsibility and sustainable growth, we support the Property Tax Growth Limitation Act. This act embodies the principles of good governance and financial prudence, with a keen focus on maintaining a fair and balanced approach to property taxation. LIBA has long supported the policy that limited government spending is the way to reduce property taxes instead of tax shifts. Unchecked growth in property taxes can take-- can place an undue burden on property owners, both homeowners and local businesses. By establishing clear limits for property tax requests, this act bypasses the debate over levy versus valuations and gets right to the heart of the issue: revenue. Under this bill, increases in revenue are held to a reasonable standard, mitigating the risk of sudden and significant property tax hikes. We appreciate and commend the act's provision for

real growth percentage, allowing political subdivisions the flexibility to adjust their property tax request based on the actual increase in property valuation while limiting the carry forward of unused percentages to prevent potential abuse. In conclusion, the Property Tax Growth Limitation Act is a vital step towards creating a more sustainable and responsible approach to property taxation. It protects property owners from undue tax increases while still providing political subdivisions with the flexibility to meet their financial requirements. We urge all stakeholders to support this act and its commitment to fair and sustainable fiscal policy. LIBA asks the Revenue Committee to vote this bill out of the committee to debate on the floor of the Legislature. Thank you. And I would be happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you, Mr. Thiele.

CARTER THIELE: Thank you.

von GILLERN: Next proponent.

BOB HALLSTROM: Vice Chair von Gillern, members of the committee. My name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association and the National Federation of Independent Business in support of LB1414, the Reduced [SIC] Property Tax Growth Limitation Act. Senator Linehan indicated that we've thrown over \$1 billion at the property tax problem, problem. While that's appreciated, I think it's evident that LIBA at best maintain the status quo or perhaps maybe just reduce the rate of increase in property taxes. I believe the, the state has done an admirable job of holding the line on spending, and we need to have that same type of fiscal discipline at all levels of government in order to try to address the problem. So I would be willing to address any questions that the committee may have.

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you, Mr. Hallstrom. Next proponent.

ALEX REUSS: Good afternoon, Vice Chair von Gillern, members of the Revenue Committee. My name is Alex Reuss, A-l-e-x R-e-u-s-s. I'm testifying on behalf of the Nebraska Chamber of Commerce, where I serve as a registered lobbyist. The Nebraska Chamber would like to be on the record in support of the concepts contained in LB1414, the Property Tax Growth Limitation Act. We recognize that adjustments to a

cap may be needed to be considered in order to address specific circumstances, such as local governmental units experiencing rapid growth. The Nebraska Chamber continues to support Governor Pillen and the Legislature's efforts to deliver a property tax relief to Nebraskans. We want to thank the Governor and the Legislature for their years of effort to enact what will amount to \$1-- \$14.7 billion of property tax relief once existing laws are fully implemented and 2029. This short legislative session is a good time to have conversations on how to effectively deliver property tax relief. And we understand that Senator Linehan's bill to place a cap on local spending is a key piece of that effort. Our membership includes subject matter experts who are available to lend their assistance as discussions around specifics continue this session. The Nebraska Chamber also supports the provision, the provision of LB1415 that front-loads the property tax income tax credit so that property taxpayers actually see how much property tax obligation is reduced. We are also supportive, again, in concept of the second piece of LB1415 that delivers direct state funding to local subdivisions as long as there are caps on local spending that are advanced and so long as it is not funded through a sales tax increase or tax shifts. Finally, the Nebraska Chamber would also like to make sure it's on the record that we are supportive of LB1241, which had its hearing before our board of directors had a chance to consider that legislation in the hearing. Thank you all for your efforts to make sure an act of property tax relief is actually delivered to Nebraska's families. We look forward to helping in any way we can on advancing these legislative pieces.

von GILLERN: Thank you. Any questions from the committee? Seeing none. Thank you, Ms. Reuss. Next proponent. Don't be scared. Hop on up.

NICOLE FOX: Snuck up from the back, so I just wanted to make sure I wasn't [INAUDIBLE], so. Nicole Fox, N-i-c-o-l-e F-o-x. Representing the Platte Institute. LB1414 would put a hard cap on the growth of property taxes for political subdivisions other-- for all political subdivisions other than school districts, limiting the growth of roughly \$2 billion worth of Nebraska's property tax burden. The Platte Institute believes that this is imperative to cap the growth in property taxes. And we commend Governor Pillen and Senator Linehan for this proposal. LB1414 would cap annual tax growth and only allow for a real growth percentage, which is an increase due to new construction and other property tax additions such as annexation. Local governments could still raise property taxes beyond this growth limit if they receive voter approval, which is the ultimate form of local control. We think this is a great step towards providing long-term property tax

relief by keeping tax growth under control. Nebraska has the seventh highest property taxes as a percentage of owner-occupied housing value, according to the Tax Foundation, giving Nebraska the highest property taxes of all of its neighbors. Property taxes are a thorn in the sides of taxpayers, particularly with tax bills rising due to soaring valuations in recent years. While we agree with this effort to put a hard cap on property taxes, we do note the following trade-offs that the Legislature should consider. The proposal exempts bond interest and principal payments from the tax cap. Nonetheless, bonding could become a workaround to the tax cap. That is why we think it is important that bond elections be shifted to primary-- but preferably-- general election ballots that have higher turnout and greater taxpayer buy-in. And we are aware that there are a couple of proposals this session to-- that do just that. We also believe that a vote to override the property tax cap should similarly be held at-- in high turnout elections such as primary-- but again, preferably a general election ballot. It is a sound idea to allow local jurisdictions to carry forward unused allowable growth. When local governments are not allowed to carry forward unused growth, they have the incentive to maximize allowable collections each year even if they do not need the funds today. Capping this carry forward at 5% ensures there won't be any sudden and dramatic tax increases. Finally, we ask the Legislature to consider applying this hard cap to school districts so that all local subdivisions are treated equally. Or alternatively, the Legislature can consider amending the soft cap on school districts so that a tax limit override can be-- can only be authorized through a voter referendum rather than a board vote. High property taxes have riven-- risen significantly for Nebraska families and businesses, and the Platte Institute applauds this effort to control the growth in Nebraska's property tax burden. And with that, I'm happy to answer any questions.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you, Ms. Fox. Any other proponent testimony? Seeing none. Any opponent testimony? If you're planning on testifying, please move up to the front row. Move to the front of the room, please. Good afternoon.

ANGI BURMEISTER: Good afternoon. I'm Angi Burmeister. It's A-n-g-i B-u-r-m-e-i-s-t-e-r. I'm Chair of the Sarpy County Board. Thank you for the opportunity to come explain to the Revenue Committee the impact of LB1414 on Sarpy County. Thank you also for your public service. This is a difficult topic, and we know you all have worked hard, along with the Governor, to try to solve the property tax issue.

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And we want to work with you to do that. We just have some concerns here. Sarpy County's property tax dollars are used primarily to fund essential services. So those are things like 911, the sheriff's department, courts, county attorney, public defender, diversion, the Correctional center, juvenile justice center, emergency management. Those are some of the things that our property tax dollars fund. We have some unique challenges as the fastest-growing county in the state. And we have unique opportunities along with unique challenges there that make a difference for us. We're in the middle of a-- building a sewer out that will generate revenue for the state as a whole. That required us to backstop about \$100-- I, I think about \$120 million of, of funds for that sewer project. So we've got some unique challenges there that make a difference. We're dedicated as a board to being fiscally responsible with the taxpayers' dollars. We've had a number of challenges-- some of them you've heard today from other people. As the valuations have risen, costs have risen too. We have about 700 employees, and that's one of the major things that ebbs and flows in the county, is those employee costs. Attracting and retaining employees has been difficult for us in recent years. When we have the new Correctional center open, we had to hire 33 new Correctionals officers. Around that time, the state and the penitentiary raised the rate that those workers were getting, and that really caused a across-the-board problem with retaining and attracting Correctional officers. We had to then raise those rates in order to attract enough people to work in the, in the Correctional facility. We've had that trouble really across the board also. We had that trouble in our JJC. We had to go about renegotiating a, an-- a Correctional contract because of that problem. Sarpy County taxpayers do want property tax relief, and we, we want that for them as well. We just want to be sure that in order to get it we're not sacrificing that 911 will pick up when somebody calls in an emergency, that a deputy would show up to their house if somebody were trying to break in, and they want the roads plowed when it snows so that they can get to work. So we just want to be sure. Also had catastrophic flooding in 2019. Emergency management was the entity that picked up and took care of everybody in those times. So we have concerns that we want to be sure if there's a hard cap that doesn't allow for the things that a fast-growing county would suffer. We want to be sure that we're set there. Thank you.

von GILLERN: Thank you. Questions from the committee members? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. And thank you for being here. You probably heard my question earlier about growth. And it

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sounds like there are ways in LB1414 to accommodate for growth-- one of which, obviously, being a vote of the people. Don't know how many people are going to want to vote to increase their property taxes, but it allows for others, including but not limited to, that real growth percentage. Do you feel that that doesn't address the concerns that you have as a fast-growing county? Or what, if any, changes would you like to see to that to make that work? I'm just curious whether or not that accommodates the problem you're talking about.

ANGI BURMEISTER: Sure. I appreciate that, Senator Dungan. I think it, it's closer, right? So it, it, it provides for more options there in that instance. It's harder to ebb and flow, though. For instance, the JJC collective bargaining agreement, we, we voted for something and then had to-- we had to immediately renegotiate it, like, three months later because we didn't have enough people attracted for the, for the rate that we tried to set there. So those-- while those provisions are helpful, they don't allow us that ability to ebb and flow in a way that we might have to. The county is kind of similar to a business. You know, we, we have the same kind of problems. And so it's worrisome because the tax dollars go to those essential services. It's worrisome whether we would be able to address problems. And having just come out of the flood, you know, it, it, it's sort of fresh in our mind what might come up. But it's, it's definitely better than some of the other proposals. Also, some of the other bills that are in the Legislature that could affect the revenue. Since we don't know how each of those are going to turn out, it's hard to-- we, we're trying to come just on this issue, but it's hard because there's so many other things that might affect it.

DUNGAN: Thank you.

von GILLERN: Other questions from committee members? I, I have a few. Thank you for being here today. The sewer project you mentioned. The Legislature allocated some funds last year towards that. Do you recall how much that was?

ANGI BURMEISTER: It was \$10 million.

von GILLERN: OK. That's what I thought, but I couldn't remember if that was the right number or not.

ANGI BURMEISTER: Very grateful for that support.

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von GILLERN: And then if you look back, year over year-- pick this year over last year-- if you could-- this is a hard question to ask to go off of memory. What have your budgets increased year over year just on a percentage basis over the past three or four years?

ANGI BURMEISTER: The budget itself?

von GILLERN: [INAUDIBLE] spending.

ANGI BURMEISTER: I don't think I know that off the top of my head. Just what the budget itself--

von GILLERN: Do you recall last year what your increase was? Was it--

ANGI BURMEISTER: Last year, our budget-- the budget that we voted in I think is \$272 million. And the budget before that-- I, I don't. I'm afraid I'll get it wrong because--

von GILLERN: OK. No, that's fine. It's, it's not a trick question. I-- in, in the hearing on LB1241 a couple of days ago, I ran some-- I shared some numbers that showed that tax asking heading-- had outpaced inflation by approximately 20%, which is why we're here talking about what we're talking about. And I'm curious to know whether Sarpy fits within that parameter, whether it's close to inflation, whether-- how far it's exceeding in the inflation rate. And you don't have to answer right now. Again, I'm not trying to trick you into that. But that's something that, that the committee would, would like to know.

ANGI BURMEISTER: Sure. We can get that answer for you for sure.

von GILLERN: OK. Thank you.

ANGI BURMEISTER: It's-- there's a number of factors there that could make a difference. For instance, our-- just our 700 employees alone [INAUDIBLE] are \$2.8 million a year by itself without any other-- without adding people or doing anything else, so.

von GILLERN: Right. And then-- and, and I'll pick on you a little bit. You and everyone else that doesn't like this, the first place they go is cutting 911 and sheriff services. If you were short 3% in your budget, is that the first place you would cut?

ANGI BURMEISTER: No.

von GILLERN: Thank you.

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ANGI BURMEISTER: Certainly not. We just want to be sure, you know, in a hard cap situation-- and, of course, this bill's got some, some allocation for growth. And our growth has been-- you know, kind of outpaced everybody else. So we would look for other things, certainly.

von GILLERN: Thank you.

ANGI BURMEISTER: But the \$70 million of property taxes, that's the exact number for those essential services. So we'd have to cut--

von GILLERN: Some great things going on in Sarpy County. And we're glad you're growing the way you are. Thank you for being here.

ANGI BURMEISTER: Thank you so much.

von GILLERN: Next opponent testimony, please.

DEAN EDSON: Senator--

von GILLERN: Good afternoon.

DEAN EDSON: --von Gillern, members of the committee. My name is Dean Edson. That's spelled D-e-a-n E-d-s-o-n. I'm the executive director for the Nebraska Association of Resources Districts, presenting testimony in opposition to LB1414 as originally proposed. We want to state upfront: we're not opposed to property tax reforms. Natural resource districts are very concerned about the heavy reliance on property taxes to fund schools and other political subdivisions. We want to work with you and the Governor on regional property tax reform. So we support reforms that reduce the reliance and provide adequate funding for both rural and urban areas. What we oppose are local-- restrictions on local budgets. It harms the abilities of local government to implement programs or projects that meet federal and state-mandated programs, make local annual adjustments to meet the needs of the local citizens, adequately fund both rural and urban needs, and provide local funding for efficient natural resource programs to protect water quality, water quantity, soil, property, and the economy. Our main opposition to this bill is the hard cap, which force-- forces the NRDs to go to a vote to increase beyond the cap. We also-- it does not backfill the first state aid for NRDs as proposed in LB1415 for cities, counties, and schools. This will essentially stopped many of the water offset programs that are needed in the state-mandated fully and overappropriated districts, which covers the Platte and Republican River basins. These individual NRDs cover multi-counties. Here's an example I want to provide to you. Right now,

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there's a large fertilizer company in the process of building a new facility in Gothenburg, which is in the state-mandated overappropriated area. Central Platte's working with that company and the community at Gothenburg to seek the required offset water for the plant. If the cost of the offset for this exceeds the cap, central Platte will have to go to the vote of the people. Here's how this lays out. Central Platte includes communities from Gothenburg to Chapman, including Kearney and Grand Island. Population of voters in Gothenburg: 3,475. And they'll likely vote for it. But it's unlikely Grand Island, 53,313; and Kearney, 33,790, would approve of it. It doesn't benefit their community. This essentially puts all these smaller communities at disadvantage, especially when it comes to these water offsets. [INAUDIBLE] point out the bill provides the wrong incentives. It's going to force the districts to take those increases year after year.

von GILLERN: Could I ask you to close, Mr. Edson?

DEAN EDSON: I see my light's up, but you got--

von GILLERN: Thank you.

DEAN EDSON: --bullet points here on everything that's required of us. You know, state-mandated areas and funds that have been taken us-- been taken away from us over the years.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. Thank you for being here today.

DEAN EDSON: Yup.

von GILLERN: Any other opponent testimony? Good afternoon.

ADAM FLANAGAN: Good afternoon, Vice Chair von Gillern and the members of the Revenue Committee. My name is Adam Flanagan, A-d-a-m F-l-a-n-a-g-a-n. And I'm here on behalf of the Eastern Nebraska Developers Council to ask that sanitary and improvement dis-- that sanitary and improvement districts receive an exemption from LB1414. I'm the managing director of Bluestone Capital Partners, a municipal advisory firm that advises the majority of SIDs in Nebraska. Our role as a municipal advisor creates a fiduciary duty and a duty of loyalty and care to our SIDs. We're hired at the creation of a new SID and remain an advisor until the SID is annexed. As such, we have a thorough knowledge of the financials of the SIDs throughout their entire life cycle. It is our opinion that SIDs are different enough

from other political subdivisions that an exemption from this bill is warranted. SIDs are mainly a financing mechanism to install and maintain public infrastructure for a single neighborhood. Therefore, when the district is formed, there is no valuation and thus no ability to raise cash to pay for improvements. Therefore, the SID issues municipal debt to generate that cash. If we limit one of the repayment options, the cost of funds may increase due to increased risk, making the development more expensive. Another potential issue is that the SID may not feasibly have the ability to pay for all the general obligation debt of the district, forcing more costs to be private or specially assessed, increasing lot costs, and increasing housing costs, which is the exact opposite of what we are all striving to do right now, which is to bring more affordable housing to Nebraska. Furthermore, many times, cities and SIDs will enter into agreements to allow the SID to delay exterior improvements that are not needed during the first few years of the district to save money for the taxpayers. In return, the SID agrees to keep their levy at the original starting levy until all improvements are in. And while the real growth exemption is helpful, we also rely on appreciation during the build-out phase of the SID to repay our debt and to also afford future improvements. There are also potential issues that would arise as a district ages. In this bill, once the district is fully built out and has no more real growth, the district is capped at those revenue dollars in perpetuity unless there is a special election or they issue more bonds. Maintenance within the district becomes more, more expensive. Street repairs become more abundant. [INAUDIBLE] equipment changes and needs replaced. Inflation drives up cost of all services provided and materials purchased. Many districts use cash on hand to perform those-- these repairs and maintenance items and need to keep their levy a few pennies higher than if they did not perform the maintenance within the district. Requiring a special election every year to do a project just adds time and cost to every repair project a district elects to do. The other option would be to finance those improvements through a bond issue. However, that may not be the most fiscally responsible thing to do, and bonds can only be issued for capital improvements and not general maintenance. SIDs are governed by a five-person board of trustees who are elected every two years and must be residents or property owners within the district. Those trustees take input from their neighbors as they make decisions for their neighborhood. This bill would limit a lot of those decisions and make operating the SID more difficult and would add extra costs. Our firm advises over 200 SIDs, and we rarely come across a property owner

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who wants to keep their taxes higher than they need to be. However, the residents of SIDs--

von GILLERN: Please wrap up your comments.

ADAM FLANAGAN: Yup. --residents of SIDs also want to keep their neighborhoods beautiful and they understand that they may have to pay a little bit extra in taxes to do so.

von GILLERN: Thank you.

ADAM FLANAGAN: Thank you.

von GILLERN: Any questions from the committee members? Seeing none. Thank you for your testimony.

ADAM FLANAGAN: Thank you.

von GILLERN: Other opponent testimony? Afternoon.

REBECCA FIRESTONE: Good afternoon, Vice Chairman von Gillern, members of the Revenue Committee. I'm Rebecca Firestone, R-e-b-e-c-c-a F-i-r-e-s-t-o-n-e. I'm executive director of OpenSky Policy Institute. We are opposed to LB1414 because we're concerned it will constrain local political subdivision budgets in a manner that conte-- contain-- creates unintended negative consequences at both the state and the local level. This proposal on a technical front increases the base limitation for local subdivisions from 2.5% to 3% until the Legislature adjusts it, as it must do annually, to reflect changes in prices of services and products. But it doesn't specify how those price changes are to be determined or calculated. In addition, the combination of spending and property tax limits-- to which local political subdivisions are already subject-- along with the new revenue cap will further constrain their budget flexibility. These subdivisions have elected officials who are accountable to voters for their spending choices and knew-- know best what their entities need. Further, evidence suggests that property tax revenue caps may not achieve intended reductions in property taxes without leading to reductions in services. Texas has been discussed as a model for Nebraska, but the experience of how the city of Houston has managed their revenue caps suggest, suggests that caps have contributed to cuts in services such as solid waste management and public works. Property tax caps have a storied history going back to Prop 13 in California, but their track record in other states suggests that they make it harder, rather than more efficient, to run local governments.

Instead, we would recommend that the Revenue Committee consider a series of targeted reforms around property taxes-- for example, in the Homestead Exemption Program-- or establishing a property tax circuit breaker to ensure property tax relief is directed to income-constrained Nebraska taxpayers struggling to pay their property taxes. Finally, while we appreciate the effort to address Nebraska's reliance on property taxes to fund local subdivisions, we oppose doing so as a tax shift onto sales taxes. Sales tax is the most regressive tax in the state, and the shift would disproportionately affect the lowest-paid Nebraskans, especially those who don't own property, while benefiting largely on the landowners, many of whom may be out-of-state. And this effort is being considered at a time when the state is already committed to reducing its revenues through last year's income tax cuts, leading us to question the sustainability of the commitments the state wants to make to its local government partners. As such, we encourage you not to advance LB1414, but we do commend the Governor and the working group for the effort and the thought on property taxes. Thank you.

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

REBECCA FIRESTONE: Thank you.

von GILLERN: Next-- any other opponent testimony? Seeing none. Anyone who'd like to testify in the neutral position? Good afternoon.

JON CANNON: Good afternoon, Vice Chair von Gillern, 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, which stands for the Nebraska Association of County Officials, a trade association representing all 93 county governments in Nebraska. Here today in the neutral capacity on this bill. I'd like to thank Senator Linehan for bringing this bill and being gracious enough to include us in the conversations. Certainly, the Governor and his staff have been great partners throughout all of this. Frankly, those guys deserve a raise, in my opinion. But that's a, a different revenue issue for ano-- a different co-- committee hearing. You know, the-- this-- it's perhaps fitting that we're talking about this on Groundhog Day because the perennial issue of property taxes is something that comes up over and over and over and over again. I can tell you that counties are invested in the property tax issue. We are 1/6 of the property tax load in the state, having levied \$860 million in property taxes last year. However, we are involved in 100% of the process. We set the

values. We hold the hearings on, on value process. We determine the tax list. We send out tax [INAUDIBLE]. And we collect the tax at the end. You know, LB1414 is unworkable as written. However, we are in the neutral capacity by virtue of the fact that we are in a good faith effort to negotiate what are some nec-- necess-- necessary adjustments and amendments to this bill. We've been talking about caps; I do want to go on how, how the cap would work. Our understanding is that with, with the cap, you would remove the exceptions, those excepted items that we have, which would be a vote of the people and, and so on and so forth. And you apply the, the, the cap, which we think should be a 3% cap or CPI, whichever is greater. You would account for your credits. And then one, one-- and once you do that, that's what your property tax request ends up being. We like to talk about in this committee-- oh, everyone likes to talk about controlling spending. No one really talks about controlling costs. And so, you know, I-- oh, by the way, the Chambers of Commerce were here. They could certainly cut some deals as, as their civic duty to local government to make sure that our costs are not spiraling out of control. However, that doesn't seem to enter the conversation. And, in fact, yesterday, you guys had the pleasure of listening to a lot of people saying, don't touch us. But oh, by the way, let's get-- make sure the locals do their, their part. And the locals are doing their part. We have agreed to accept limitations on our ability to rai-- raise the necessary revenues for government. And I have not yet seen anybody else that's been willing to step up to the plate. As written with the amendments, removing bonds and making it more difficult to bond would stymie growth. I, I think Ms. Burmeister from Sarpy County mentioned that public safety is important. It's one of our biggest responsibilities. Anything that undermines our ability to account for public safety is not what the voters and not, not what the people intend. If the Legislature is, is able to provide the amendments that we-- well, I'm out of time. I'll just stop right there.

von GILLERN: Any questions from the committee? Senator Bostar.

BOSTAR: Thank you, Vice Chair. I'm interested where you're going with this. Could you continue a little bit, Mr. Cannon?

JON CANNON: Thank you, Senator Bostar. Much appreciated. You know, given the things that we've been discussing, I want to go on record as saying that NACO-- and, and-- I-- Lynn Rex will probably correct me if I'm wrong. She'll be right after me, I think. But NACO would certainly support the bill with an amendment that would provide for 3%-- growth of 3% or CPI, whichever is greater. Certain necessary exceptions,

which would include bonded growth, bonded indebtedness. That would move us to support. I do think that LB1414 and LB1415 could stand to be merged. There are a lot of the mechanisms that kind of interplay with each other. I suspect that when we get to the, the package part of, of a committee amendment, that's perhaps going to be in the [INAUDIBLE]. And we certainly would be interested in, in being part of that conversation.

von GILLERN: Good. Any other questions from the committee? Senator Dungan.

DUNGAN: Thank you, Vice Chair von Gillern. Thank you, Mr. Cannon, for being here. Earlier, did you hear the question that Vice Chair von Gillern had asked about the growth that was, I think, 20% over inflation for Sarpy County?

JON CANNON: Sure.

DUNGAN: Can you speak in general to why that may be or what the cause for that would be from, like, a 30,000-foot view? Because it does seem like the growth should be in line with inflation. But what would, I guess, the reason be behind increased growth beyond the inflation rate for a county?

JON CANNON: Yeah. So if you have-- let, let's say that, that you're in Sarpy County, for instance, and, and there's a lot of agricultural land there, a lot of city as well. And that city is growing. The cities in, in Sarpy County are growing. And so if you take bare ground and all of a sudden that's subdivided [INAUDIBLE] and we're putting in sewer and we're putting in electric and all that good stuff, that growth-- that is, that's, that's stuff that hadn't been there before. And so as far as, as accounting for growth, what you want to make sure is that we're not-- we don't want to, you know, whack the, the, the property taxpayers that have been there the whole time. But we, we don't want to give the people that, that just all of a sudden appeared. They, they, they don't get a free ride. And so essentially what you do is you account for growth so that you're able to, to still spread the cost of government among everybody that's there. And that-- and, and growth accounts for that. It doesn't account for it perfectly because, again, we're not, we're not doing anything to control the costs of government. In fact, we keep adding to it. But having a growth factor in there is cert-- certainly something that's going to help.

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DUNGAN: Thank you.

JON CANNON: Thank you, sir.

von GILLERN: Thank you. And just for clarity, I, I-- if I didn't say it this way, what I had intended-- I was addressing the representative from Sarpy County. I was referring to a 20%-- where property tax collections had exceeded the inflation rate by 20% generally, not in Sarpy County. I just want to make sure that we were clear on that.

DUNGAN: And that's what I intended too.

von GILLERN: OK.

DUNGAN: Wouldn't you agree, Mr. Cannon? To make that a question. No, that's what I intended to say as well. I apologize if I misspoke as well.

JON CANNON: All I can say is I just appreciate the mem-- the work of every member of the value-- the Governor's Valuation Reform Working Group. And I'm just happy to be here.

von GILLERN: And, and I'll, I'll close with you and thank the-- and just say that you indeed were an integral part of that committee. And thanks for your hard work in that. And we know that you're pulling in the same direction. Thank you for your testimony.

JON CANNON: Thank you, sir.

von GILLERN: Thank you. Next neutral testifier.

STEPHEN CURTISS: Good afternoon, Senators. My name is Steven Curtiss. Spelled S-t-e-p-h-e-n; Curtiss is C-u-r-t-i-s-s. I'm the finance director for the city of Omaha, and I'm here as a neutral testifier for LB1414 as potentially amended. And there's a lot of conversation still going on about it. I won't spend a lot of time rehashing what the bill's about since we've all talked about that quite a bit. I do have an answer, Senator von Gillern, about the police and fire, but I'll make you ask me a question later so I don't waste my time for that. But I do have an answer for that. Police and fire is approximately 2/3 of the Omaha city budget for the General Fund. So maybe I'll just-- spoiler alert. I'll tell you. That's why when we shut off hiring, that's why it hits police and fire faster. A lot of those things-- I, I would suggest that a lot of what's being contemplated here, the city of Omaha essentially already does because

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we've had plenty of years and all throughout 2016 where we had-- property tax and sales tax grew at about 1%. So we managed within that 1%. And we do that by deferring hiring police, fire, others. We don't get new police cars, all that sort of thing. Then you have a year like 2021 where these last three years, we'd all say sales tax and property tax valuations have gone up quite a bit. We were able to use that year with about a 7.5% increase in sales tax, property tax to get police vehicles back on shape, get our hiring back on shape, those sort of things. So we've kind of do what this bill contemplates already. Maybe not on the way they would appreciate. I do think this does kind of overlook the, the valuation issue that I think we all know we have in Douglas County, where anybody can get about \$100,000, \$150,000 valuation increase. And I'll have-- that'll have the same tragic effect on your sale-- on your property taxes even if we implement this. But it's kind of a problem outside of that. We have adjusted our levy down quite a bit, and I think we're at about 15% lower than we were when we took over or when this mayor took over, including the, the voter increase. We are one of the place-- we did a voter increase. And it was done in a primary election. Nothing secret. Nothing over the internet. It was all out there quite open. There are a number of lids and things that are, that are included in this. And I think we're fine with all of those too, which is why we're neutral. The only thing this would require us to do is to occasionally raise our levy, which we're not crazy about because on those really low years where everything's at 1% but we could go to 3%, we'd have to adjust our levy up. The city generally doesn't adjust the levy up-- or at least hasn't been have habit. So I'd say Omaha is being recognized nationally as a very positive place for business, public-private partnerships, low crime. And we just hope this gets implemented carefully so none of that gets damaged along the way. With that, I'll take questions [INAUDIBLE] time.

von GILLERN: Thank you. Any questions from the committee? Senator Meyer.

MEYER: Thank you, Chairman-- Vice Chairman von Gillern. I, I was just [INAUDIBLE]. You said in 2016 your property tax only went up 1% in Omaha?

STEPHEN CURTISS: It did. It went up about 1.6%. And our sales tax was about 1%. So if you combine those two major revenue sources, about 1.25% across.

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MEYER: So was that because your valuations didn't rise like the rest of the state or--

STEPHEN CURTISS: Correct. Our valuations of the city of Omaha-- and actually, I brought that-- we had a period from 2010 to 2018 where it went up approximately 0.4% per year for that whole period of time. And if you include in the period that is now these last three years, it's 2.66%. Now, remember that we have to-- in Omaha, you have to screen out growth. So if we do a big giant annexation package, that'll completely throw off the picture you're seeing because we basically took in another city and all its expenses and all its--

MEYER: Well, I, I guess I'm just-- I'm a little bit surprised that-- west of Highway 81 in Nebraska, that was never the case.

STEPHEN CURTISS: Yeah. And I can't, I can't speak for that. And I think a part of it may be this valuation issue we've talked about in the-- Douglas County.

MEYER: Thank you.

von GILLERN: Thank you. Any other questions from the committee members?

STEPHEN CURTISS: Thank you.

von GILLERN: Thank you for being here. Next neutral testifier.

LYNN REX: Senator von Gillern, members of the committee. My name is Lynn Rex, L-y-n-n R-e-x. Representing the League of Nebraskan Municipalities. First, I'd like to incorporate my reference, my testimony from LB1248. And I'll be talking about some of those issues again in the next bill. I want to thank Senator Linehan for introducing this measure. We think that this is an important measure. We are-- appreciate the fact the Governor's Office has been very patient in collaborating with us and negotiating. We-- there are some things in this bill that we, instead of a 2% or CPI, which is ever greater-- like Jon Cannon said, the league would be here in support of it if it was a 3% or CPI, which is ever greater. And in terms of the exceptions, Jon was supposed to car-- which he did-- review the calculation. And my mission this afternoon is to talk about the exceptions. And fundamentally, it's important to understand-- and I know that you all know this-- that in order for municipalities and counties and other political subdivisions to operate-- but in particular, municipalities and counties-- we have to have sufficient

revenue to sustain the essential services. And of course, those include public safety. That is extremely important. People expect that. And there's no, there's no excuses when we're not able to do that. So in any event, with that, I'd like to have you look at the exceptions. And this is on page 2. I assume that they have this. Do they have this, by any chance? No. OK. OK. Very good. So basically, let me talk about some of the exceptions and, and where maybe we're going to be continuing our negotiations. One is in terms of bonded indebtedness. We have to have a debt service and approved bonds outside of any cap. That's extremely important. And for the Bankers Association that's here today, that also includes, by definition in Section 10-134, direct borrowing, which is really important. Lincoln and Omaha don't do that, but other cities have to do that. We really have to have that outside of this cap. And I think when talking to Lee Will and others yesterday, our numbers are extremely low, both on the municipal side and the county side for debt, but that is extremely important to have. So we're continuing our negotiations on that. In terms of emergencies, the definition that we're using is emergencies under the Nebraska Emergency Management Act. That's extremely important. Other, other exceptions here include the voter override. We've already talked about that. Unused property tax request authority, services relating to imminent and significant threats to public safety or public health that were not previously in the-- in, in a interlocal agreement but would be now. So it's extremely important to have these types of things as well as, of course, the growth percentage. So with that, I'm happy to answer any questions that you might have. [INAUDIBLE] to say that, again, we understand the consequences of all of this. We su-- we really support-- we understand property tax relief. And the next bill, I'll be talking to you again about what we talked about with LB1248. I have realized that everyone has a little bit different perspective on how we got here. From a political subdivision perspective, it is decades and decades and decades of your predecessors deciding to give well-intended and necessary, in most instances, exemptions in other types of programs without reimbursing local [INAUDIBLE] for the tax base lost and then wondering why a tax base that was like this is now like this. And the folks in the middle are very tired of paying it. With that, I'm happy to respond to any questions that you might have.

von GILLERN: Thank you. Any questions from the committee members? Seeing none. And Ms. Rex, I'll also express gratitude to you for being a part of the Governor's task force this summer and fall, and your

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voice was important in those discussions there. So thank you. Thanks for being here today.

LYNN REX: Thank you for your service too. Thank you.

von GILLERN: Thank you. Any other neutral testifiers? Seeing none. Senator Linehan, as you come up to close, I will check the letters. There were 2 proponent letters and 19 opponent letters and 1 neutral letter on LB1414.

LINEHAN: Thank you. And I too want to express my great appreciation for Jon Cannon and Lynn Rex, who are here today. And I think I missed one meeting, but, to my recollection, they were at each and every meeting. They brought ideas on paper. They worked it hard. And the fact they're willing to be here neutral today is very much appreciated. I also want to thank Steve Curtiss, and I appreciate very much Omaha's presence here today in neutral position. [INAUDIBLE]-- it is fitting that it's Groundhog Day. I haven't really got that joke all day, but. But-- and one of the reasons this is like Groundhog is because everything we've done has not solve the problem because we don't have any ability to control the spending. Another thing I wanted to talk about real quickly-- I'll try to be quick. In 2009, when all the housing values plummeted, Nebraska wasn't hit as hard as most of the country. Like, my son was living in San Diego at the time, and every third house on their block was under foreclosure. Omaha had some problems, but we hadn't gone as crazy driving prices up, so they didn't drop so far. But it was, as Mr. Curtiss said, from, like, 2009-2016, real estate was very flat in most of your urban areas. And that caused all kinds of consequences that we're now seeing that you couldn't see then. Because at the same time, as Governor Pillen has said-- he said yesterday-- ag valuations started to skyrocket. So there is one group of homeowners-- and they'll probably get mad at me. My son's one of them. If you're in a smaller community and you have a house there, a lot of those property tax payments went down because ag went up. People didn't need as-- they actually lowered levies. Even though ag was paying more, people in their homes-- I used Beatrice as an example. Beatrice, they-- their property taxes stayed flat or went down in Beatrice because ag was going up so high and values and homes were steady. Now that's all changed now because prices of houses have zoomed up. But it's part of the disconnect all across Nebraska when you get into these subjects. SIDs, we, we probably need to look at that. Actually, I'm going to be gone, but some of you are going to be here. I don't know who's over SIDs, but I think that whole thing needs to be looked at. Seems to work really well in Douglas and Sarpy

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county. But if you get in a problematic one as a homeowner, you really get rolled. So-- and there are some cases, I think, out around Valley where people built homes and then they got stuck holding because the developer went bankrupt. So I think those should be looked at. I, I am going to address the property tax thing. And I read it earlier, I think, maybe two days ago at a hearing. This idea that property, property taxes aren't regressive is just not true. I mean, OpenSky's own publications, which I read from earlier this week, say that property taxes are regressive. Now, they say sales tax are regressive too, but-- and-- it's-- people who don't understand that part of your rent is property taxes are just missing the point. Property taxes are a huge part of your rent. And yes, I think-- Senator von Gillern, you brought up a very good point. And this-- maybe this would be helpful or not helpful. NACO [INAUDIBLE] decide. I think it would be interesting to look at the counties on county-by-county basis. What's the growth? How much has their valuation gone up? How much are they taxed? Because I bet we'll find counties that have been very, very-- there's going to be 93 different things, right? So with that, I take any questions. Thank you.

von GILLERN: Any questions from the committee members? See-- seeing none. Thank you, Senator Linehan.

LINEHAN: Thank you very much.

von GILLERN: That'll close our hearing on LB1414. And we'll welcome up Senator Dover on the LB1415. Is Senator Dover in the room? Yup. There you are.

LINEHAN: Welcome.

DOVER: Thank you. Thank you, Chairman Linehan. And good afternoon, committee members. For the record, my name is Robert Dover, R-o-b-e-r-t D-o-v-e-r. I represent District 19, and that consists of Madison County and the south half of Pierce County. I have introduced LB1450 on behalf of the Governor to adopt Property Tax Re-- Relief Act. This act provides for direct state funding to local subdivisions, schools, counties, and municipalities, resulting in a property tax reduction for taxpayers. Property taxes are a big problem here in Nebraska. That surprises-- that surprises no one. When I first arrived at the Nebraska Legislature, I had a conversation about tier one and tier two property tax relief, and that made it clear to me that there was a change that needed to take place in the way tier two property taxes were handled. It is unworkable and ridiculous to require

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taxpayers to pay in and then later, those who can afford a CPA, file a return to get a portion of their taxes back. This current method has resulted in many taxpayers never filing for a return at all. A far better system would be to get the tax break up front. That is exactly what LB1415, the Property Tax Relief Act, does. LB1415 repurposes Property Income Tax Credit Program established by LB1107 in 2020. The bill front-loads this credit, ensuring that taxpayers see their property taxes bill go down. LB1415 delivers a total of \$989,600,000 in property tax relief to school districts in two equal payments, a total of \$437,200,000 to counties in two equal payments, and 9-- and \$297,100,000 [INAUDIBLE]-- excuse me-- municipalities in two equal payments. Basically, school districts, counties, municipalities are given funds upfront to directly reduce property taxes. There is no need to pay property taxes in to get some back later. And no need for a CPA to file a return. It is simply more money in the pocket of Nebraska taxpayers. This is a much-needed tax fix. And I'm excited to carry this bill. Thank you for your time.

LINEHAN: Thank you, Senator Dover. Are there any questions from the committee? Will you stay to close?

DOVER: Mm-hmm.

LINEHAN: All right. Thank you. Are there any proponents?

MARK MCHARGUE: Good afternoon, Chairman, Revenue Committee. I'm Mark McHargue, M-a-r-k M-c-H-a-r-g-u-e. I am the president of Nebraska Farm Bureau, and also here on behalf of the ag leaders as well. LB1415 would establish the Property Tax Credit Relief Act, as been-- as has been mentioned. The purpose of the act would be to provide state funding directly to school districts, counties, cities, villages in exchange for direct property tax relief. The act establishes the School District Property Tax Relief Cash fund, the County Property Tax Relief Cash Fund, and the Municipality Property Tax Relief Cash Fund to be administered by the Department of Revenue. What I want to highlight is that this is an exchange to reduce property tax. And so unlike-- we've, we've put a lot of money into the schools last year. That there wasn't direct tax relief on those dollars that we put into schools. 75% of schools overrode and increased property taxes. We cannot let that happen with this front-loading of this fund. We also-- I mean, we support the proposal, but one part that we are concerned about is the fact that it does take out the allot-- the allowable growth percentage from the Nebraska Property Tax Incentive Act, which would be a tier two. We did a lot of work in tier two to make sure

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that it was tied to valuations and there was additional dollars go in there as valuations go in-- go up. Now, if this is directly tied to LB1440, that's OK. But these, these running on separate tracks would be terrible. I mean-- so we have to, we have to remember that as we shepherd these bills through, that these do integrally need to be put together. And I believe the Governor did talk about that as well. Because there is an expectation that [INAUDIBLE] front-load, which is fine. I think we need to be transparent. I think it's a very good, very good bill in that aspect. But they do have to be shepherded together. And in closing, we're happy to work with Senator Dover and the committee to develop a solution that eliminates this concern. We appreciate Senator Dover for bringing this bill. And we encourage the committee to make this a part of the comprehensive property tax package. And in, and in closing, you guys are true troopers. You guys are working hard, and we do appreciate that. We in agriculture have been in front of this committee a lot. And again, I think we are on the road path to really do some great things this year if we can hold the course, put these packages together, and really make a difference for Nebraska. Be happy to answer any questions.

LINEHAN: Thank you very much. Are there any questions from the committee? Did you say you were here for all these groups?

MARK MCHARGUE: Yes. Yeah. For the ag leaders. Yeah.

LINEHAN: But did you say it for the record?

MARK MCHARGUE: No. I will, though. They are, they are in the test-- they are in the testimony. And so I represent the Cattlemen, Corn Grower-- Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Sorghum Growers, Nebraska Dairy Association, Nebraska State Soybean Association, the Wheat Growers, and Renewable Fuels-- essentially, all of agriculture.

LINEHAN: Thank you for having come for all of them on a late Friday afternoon. Very much appreciated. Any other questions? Thank you.

MARK MCHARGUE: Thank you.

LINEHAN: Other proponents.

BOB HALLSTROM: Chair Linehan, members of the committee. Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. Appearing on behalf of the Nebraska Bankers Association and the National Federation of Independent Business in support of LB1415. We would agree that providing for the

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reduction in property taxes upfront is a great idea. Make it visible on the tax statement. I would agree with the, the most recent witness that we need to make sure that it is tied to true property tax relief and that we do get our bang for our buck in that regard. I think while the property tax credit refund process was well-intended, the fact that we've got millions of dollars that have gone unclaimed is a shame. The other aspect of this, on a more personal basis, is since I in my spare time prepare tax returns for some of my clients, one of the difficult things to explain is that since you take 100% of your tax deduction in 2023, for example, get your property tax credit refund in 2024, then you have to report that property tax credit refund as income. And that's, that's a hard 'splain to do. So with that, we do support the legislation and look forward to working with the committee in this regard.

LINEHAN: Thank you. Are there any questions from the committee? You know, you have to claim it because you deducted it last year.

BOB HALLSTROM: Yes.

LINEHAN: [INAUDIBLE].

BOB HALLSTROM: You take 100% of your deduction up front, but you didn't really, at the end of the day, pay 100% of your taxes.

LINEHAN: Right. Thanks. Thank you very much for being here.

BOB HALLSTROM: Thank you.

LINEHAN: Appreciate it. Are there any other proponents? Are there any opponents? Good afternoon.

DAVE WELSCH: Good afternoon, Senator Linehan and the committee. My name is Dave Welsh, D-a-v-e W-e-l-s-c-h. I am a farmer and currently serve as president of the Milford Public Schools Board of Education. I have served as school board member for over 30 years. I support the concept of-- within LB1415 to front-load school funding by disbursing funds directly to school districts. This will help to lower property tax requests, and the property owner won't need to loan money to the school while waiting for an income tax credit to arrive. But I am opposed to how the funds will be distributed. The Property Tax Incentive Act was created to distribute funds based upon the amount of school property taxes paid. By repurposing these funds so that they are distributed according to property valuation does not respect the original intent of this act. Attached are several documents which

suggest a better way to distribute these funds to schools in a way that will honor the original intent of the Property Tax Incentive Act. By changing valuations within the TEEOSA formula, equalization aid can be restored to nearly all schools with the amount of funds identified within LB1415. By doing so, you will also honor the intent of TEEOSA going back to 1990, which was to provide property tax equity across the entire state of Nebraska. As you can see in the chart and graph, equalization aid will be distributed in a way that brings levies down and closer together, creating the equity needed in our state. In the time I have left, I will try to explain these. If you want to look at the one with the chart and the bar graph on it. Really hard to explain TEEOSA in a three-minute time period here [INAUDIBLE]. The impact that we're trying to create here-- if you look at the bottom chart, where it starts right in the center, '23-24 levy, school property tax levies range from \$0.30 to \$1.00. That's a huge disparity across our state. And as I mentioned on Wednesday, some farmers right across the road from each other-- one farmer asked to sell his beans for a dollar more a bushel just to break even with the guy next door with lower tax levies for their schools. The main reason we have that disparity, if you look on the right column on that bottom chart, is the average valuation per formula student. It varies widely across our state. Many schools up in the higher levy ranges have less than \$1 million of valuation per student, while those down in the 30s and 40s have \$3 to \$4 million of valuation per student. That's a huge impact on, on the levies and the property taxes that are requested. And quickly, just looking at the chart in the upper right. The black bar graph just shows that if we can lower valuations within the TEEOSA the formula, make some adjustments there, we can bring levies down and much closer together across our state. Got another handout there, but I'll pause since my time is up. If you have any questions, be happy to answer them.

LINEHAN: Thank you. Are there any questions from the committee? Mr. Welsch, have you got a chart that shows how many children are in each one of these schools? Because you say the \$0.90-plus levy. And actually, I think you said the top levy is a dollar-- the top levy's a \$1.05 plus bonding and-- right?

DAVE WELSCH: Right. Actually at the top, if you look on the colored chart here, that stapled together one-- currently, the '23-24 General Fund levy-- just the General Fund levy-- the top levy, I believe, is at Hastings with \$1.10. So you've got a pretty good-sized school district there. But then right below it's Arcadia, a very small school district in rural Nebraska with \$1.08 levy just for their

General Fund. So yeah, if-- I believe if your question was, are the high-levied schools mostly the larger urban schools? Generally, that's-- that is the case for them. There is a consistency with the levy among our larger school districts. But there is also a lot of rural schools that have a, have a high levy as well. And, and, and that's why we need to try to create a system where we get back to equalization aid so we can try to bring those levies down and closer together-- mainly across rural Nebraska, but also in our metropolitan areas. We need to provide some property tax relief there as well.

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

DAVE WELSCH: Thank you.

LINEHAN: Are there any other opponents?

JOHN GAGE: Chairwoman Linehan, members of the committee. My name is John Gage. That's J-o-h-n G-a-g-e. I am testifying today on behalf of Americans for Prosperity in opposition to LB1415. The AFP is opposed to this bill because it's a continuation of a strategy that has proven to be ineffective in delivering property tax relief. Last year, the Legislature passed a billion dollar Education Future Fund with the goal of direct state aid being given to schools so that it could be passed along to taxpayers in the form of lower property taxes. Despite hundreds of millions in new funds that lawmakers promised that would be used for tax relief, school districts still raked in an additional \$85 million in property tax revenue this last year. Instead of fixing the caps from last year, this body is looking to double down on the failed ideas of yesterday. A survey of 800 likely Nebraska voters, conducted by AFP, found that nearly 60% of Nebraskans believe that last year's property tax relief efforts were ineffective, and only 4% believed they were very effective. I'd like to note there's been some en-- excitement in the Legislature about the prospect of cutting property taxes by 40%. Nebraska taxpayers deserve to hear it straight. What the Legislature is proposing in this tax package is not a tax cut. Most Nebraskans will never see a nickel of overall tax relief in the way this tax package is currently constructed. Instead, these tax proposals raise your taxes by over-- well over \$1 billion a year. And then that money is handed off to local governments, not the taxpayer. In fact, this bill ends the LB1107 Pro-- LB1107 Program, which gave hundreds of millions of dollars directly to taxpayers, and, I might add, is very popular with farmers and ranchers. This package is tax hikes now, promises of property tax relief later. Nebraska voters know

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this is a bad deal. Another finding from our survey showed that when asked whether they support giving extra sales tax revenue to local governments to pass along as tax relief, only 30% of likely voters supported the legislation, while 69% did not support the measure. An additional finding from our survey: 60% of likely Nebraska voters said they want property tax relief to come from limiting local government spending, while only 14% said they wanted an increase in sales tax. Nebraskans could not be any clearer. They want property tax relief, but they do not-- but they do not like the Legislature's current approach. I urge this committee to reject, reject LB1415. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? Thank you. Are there any other opponents? Is there anyone wanting to testify in the neutral position? Oh, wait a minute. Did I miss an opponent?

JON CANNON: No.

LINEHAN: OK. Mr. Cannon. [LAUGHTER]. Welcome back.

JON CANNON: Thank you. Chair Linema-- Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the executive director of NACO, which stands for the Nebraska Association of County Officials. We're an association that represents all 93 county governments in Nebraska. Thank you, Senator Dover, for bringing this bill to the Legislature. I, I will mention that Senator Dover reached out to me last summer and, and just wanted to have a conversation about property taxes and, and where the counties see the whole thing. And I, I certainly appreciate that because not everyone has that, that natural curiosity about these sorts of things. And I-- as you-- you guys know me. I'm a, I'm a nerd for this stuff, so I love talking about this. Want to thank the Governor and his staff. You know, these guys have done yeoman's work. The valuation working group has, has, has really put in a lot of effort, a lot of time as far as-- we, we have a, I think, double the amount of original meetings we were supposed to have. And it's gotten us to this point-- pla-- where-- place where we're talking about the actual mechanism for property tax relief. The formula for distribution-- I've-- I had to make a correction on here. Just the key points on the formula basis for how we're going to achieve that. It's essentially a, a formula distribution to each of the political subdivisions in the state. And this is not handing money to the political subdivisions. This is directly buying down their levy so that, that their levy the prior year, whatever that increase might be,

has to account for those dollars that are being distributed. And so it is dollar-for-dollar property tax relief. It's something that everyone will get. They don't have to apply for. It's not a pass-through one of the, the key features of the property tax credit, the 72-4212 [SIC]-- I think people have called that the tier one credit-- is that that happens at the end of the budgeting process. And so it's just a deduction after everyone has, has done those sorts of things. And, and the reason that's important is that front-loading-- we, we've, we've, we've always-- heard about what our ranking is with the tax foundation and a whole bunch of other groups. And that is based on our taxes levied. And I, I mentioned yesterday, you know, over \$5 billion of taxes levied. That certainly doesn't look good. And that does not recognize the good, strong foundational work that this Legislature has done as far as providing property tax relief. When you front-load your credits, what that does is it buys down the levy so that we-- I mean, if nothing else changed, we would be at \$4 billion of property taxes levied. That improves our ranking, I think, in the-- into the 30s. And, and whatever additional moneys that only, that only helps buy down the levy. And again, it is not handing money over to the political subdivisions. It is, it is directly affecting the property tax bill. You know, the-- anyway, the key points. There is some things in red that, that we advocate for. We think that instead of being based on property valuation in the prior year, a five-year rolling average of property taxes levied for political subdivision is probably the way to go. It's-- certainly accounts for a little bit better. And also there's something that is included in the bill that-- or, in, in one of the, the negotiated amendments that we've been looking at, was-- which would be the tax statements. We want to make sure that the Legislature gets credit for everything that they've been doing over the last several years. We-- back in the-- I'm out of time, so I'll just stop right there.

LINEHAN: Are there any questions from the committee? Yes.

KAUTH: Would you please continue?

JON CANNON: Yes, ma'am. Thank you. Back in the '70s, we had, had implemented this, this thing where we put a, a essentially a tax-- a slip of paper in with the tax statement that says, here's the amount of relief that, that the Legislature has afforded you over time. You know, the question is, is how effective that is, how, how often people actually read those sorts of things. I know that in, in years past, there has been talk about what sorts of things can we put directly in the property tax statement. NACO has traditionally resisted it. This,

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this last year, we had to go to 8.5 by 14 property tax statements. And so all of a sudden, we have a whole bunch more, more room on the, on the property tax statement. And I'm probably just bargaining away stuff that I, I shouldn't be, but my-- and my, my programmers are going to kill me when I get back. But what we would recommend, though, is, is put on the prop-- directly on the property tax statement in big red letters, you know, font size that's, that's bigger than any other font size that you have on the rest of the statement: you know, Dou-- you know, Douglas County, as an example, they received X number of dollars from the Legislature. This would have been property taxes had it not been for the legislative action. So the words to that effect, and I've, I've got that in red here on this statement, so. Thank you, Senator Kauth, for letting me finish. And, and I'm happy to take any questions you may have.

LINEHAN: Thank you, Senator Kauth. I thought red ink was really expensive.

JON CANNON: Well--

LINEHAN: Or was it the paper? It was the paper.

JON CANNON: It's the paper, ma'am. Yes, ma'am.

LINEHAN: Thank you. Anybody else have questions? Thank you for being here.

JON CANNON: Thank you, ma'am. Much appreciated.

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. Thanks for the opportunity to be here today. Again, I'd like to incorporate by reference my testimony on LB1248 yesterday. With that, you're having a handout here shortly. And I just want to review a few things with you. I want to underscore too for those that are listening that what we're talking about with LB1414 and LB1415 replaces the lid on unrestricted funds. We think that's important because we think this is a, a very effective type of cap. We, of course, wanted 3%. The Governor's looking-- well, Lee Will and Kenny Ro-- Kenny-- not Kenny Rogers. [LAUGHTER]. Not Kenny Rogers.

KAUTH: It is late.

LYNN REX: Something like that. So basically, we're-- in ta-- in talking to them, we hope that-- I mean, they're right now at 2%, or

CPI, which is ever greater. We really-- we really need to have 3% or CPI, which is ever greater. There's some other things that we've talked about as well. But I think it's important to talk about too: what the Legislature's done in the past. So we're going to talk about very briefly just to highlight for you four studies. Do you only have one-- you only have three that I gave you a couple highlights on. These studies do not give the Legislature credit for what you've done significantly in the last few years, but I'd like to talk to you briefly about, in 1962, the McClellan [PHONETIC] report. You don't have anything about that because it basically was the foundational elements for what became the 1967 sales tax proposal and laws in the state of Nebraska. But then in 1988, the Sur-- the Syracuse report. I'm sure you've heard about it over and over again. And I'll reference a couple things about that. Because the other two reports in 2007 that were commissioned by the Nebraska Legislature and in 2013 by this committee and others-- basically, they referenced the Syracuse report as well. And this underscores, again, why we are excited as municipalities-- I don't represent counties, but I think Jon would feel the same way, and I know he does-- to have significant property tax relief in addition to what you've already done, which is extremely significant, especially on the school side. So we just think that it's important. Our board really supports the overall objective of the Governor in doing that. Just-- I want to highlight a couple of pages. They're in red, at the very bottom corner. So basically, on page 4, you're going to see some of the suspects that-- you know all these folks: Senator Hadley, Heath Mello, a lot of folks that you know and you recognize. On page 5, which is the next page, you're going to see a statement made in 2013. The main focus of the Syracuse study was the Nebraska's higher than average use of property tax in its tax system. Syracuse authors recommended reducing the role of property taxes in financing government services. The main policy option they identified was an increase in state aid to local governments. I'm going to skip down a little bit, saying that all Nebraska local governments experienced lower levels of state revenue sharing than local governments in other states. They advised retaining existing aid programs for all governments and supplementing these aid programs with aid-based equalizing concepts. When you look at-- later on on page 21, you're going to see the handout I gave you yesterday showing how our aid program was cut. And I know my time is up. So I hope somebody will ask me a, a question and I'll wrap it up.

LINEHAN: I'll ask you a question. Wrap up.

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LYNN REX: OK. Thank you. I will do that. Thank you. So page 21 outlines our series of cuts, doing away with the Municipal Infrastructure Redevelopment Fund, cutting state aid-- which, again, as you know from yesterday, only was-- what was a, a partial though inadequate reimbursement for three exemptions: livestock, farm equipment, and business inventory-- which, today, just those three alone would be over \$1 billion. So in any event, just looking at that, I think that's important. And just one or two other things here for your consideration. If you looked on page 6, the highlighted yellow: This expanded commitment to aid to replace property taxes was decreased in 2010. Again, it was all eliminated with passage of LB383 in 2011. Older capacity loss aid programs for cities and counties. And more recently, county aid programs were repealed to meet the state budget cuts. And that is talked about in a couple of places here. And I referenced in particular page 12. I think a statement that is really important-- if I could just have one more second to read it. I appreciate it. This was noted in all these reports in some way, shape, or form. The study stated: The state of Nebraska's assistance to its local governments is farther out of line with practice in the rest of the country and from accepted principles of public policy than any other aspect of public finance in the state. Nebraska's aid to its local government is far below the national average. As a result, the principal tax used by local governments in Nebraska, the property tax, is far below the national average. That being said-- again, this does not take into consideration the significant work that has been done in terms of school aid, but we are excited about the possibility of having more property tax relief. And I think the mechanism for this and front-loading it is the way to go. This is a-- just a great proposal-- LB414-- LB1414, LB1415. And we hope, as our negotiations continue, we can be here in a full support capacity, not just neutral. I'd be happy to respond to any questions you might have.

LINEHAN: Thank you very much. Are there any questions from the committee? I, I really appreciate you being here and appreciate your testimony and your knowledge. And I want to recognize Jon again. There's a, there's a way to come and testify in front of the committee. And you guys are pros. And there's not a--

LYNN REX: Thank you.

LINEHAN: There's a way not to do it, and we've experienced a lot of that this week. So thank you very much.

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LYNN REX: Well, thank you. And thanks for the great work this committee has done. We really appreciate it. Thank you very much.

LINEHAN: Neutral, right? Is there any other neutral terr-- testimony? There you come. Come quick. Come quick. It's neutral. You can be neutral. You're safe. The white flag is up.

DEAN EDSON: Well, hopefully I'm the last testifier of Groundhog Day.

LINEHAN: Not as much as we hope.

DEAN EDSON: Again, my name's Dean Edson. Spelled D-e-a-n E-d-s-o-n. I'm the executive director for the Nebraska Association of Resources Districts. Just presenting some testimony in neutral capacity. I appreciate all the work you've done on all this. It's-- this is tough dealing with these property tax issues. I've dealt with these since I've worked with farm-- started working with Farm Bureau since '86. And I know it's hard, but what I wanted to go with you or provide to you wa-- was in my attachment in LB1440, is what's happened to the NRDs to force their taxes up. As far as what you have-- what you want to do with the funding for your property tax credits, we're fine with it. I do want to point out we are not included in what you have in LB1415, but we are included in the cuts in LB1414. Not asking for state aid here at all, OK? We had the fertilizer tax removed in 2001. That, that funding for that-- that went to water quality programs. That got dumped back on the NRDs to pay for. There was a little bit of money added to it, but the NRDs had to provide 160% match of property taxes. 2004, LB962 passed. This is what I was talking about earlier. We have to provide all the offsets and offset for depletions to the river in the fully [INAUDIBLE] area. We've implemented that first increment. Put 18,400 feet back into the river, which was required, cost the NRDs \$57 million. There's a second increment going. We have to do more, plus keep up what we had in the past. That's going to cost more property tax dollars. Then in 2006, LB933 passed. We have to provide 25 million gallons to the cities for new uses every year. 2011, state aid was eliminated. That was \$1.4 million. We were told [INAUDIBLE] you got room in your levy, take it up. All the state funds require a 40% match, and those have to be property taxes. We can't use other, other sources of revenue for the match. Federal funds that we get also require a local match. Those are typically around 40%. Just to highlight this year's taxes, we had \$88 million. We lev-- we were leveraging that into \$234 million in additional dollars through federal grants and some state grants. Our levy-- average levy for this year's \$0.0288 out of the \$0.055 maximum. So. Happy to answer any

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questions you got. But I just want to make sure you had that information of the timeline, so.

LINEHAN: Yup. This is helpful. Thank you very much. Are there any questions from the committee? What is the overall budget of all the NRDs? Do-- and if you don't know, it's OK. I know that it's a hard question, but do you have-- like, what is there--

DEAN EDSON: In the total?

LINEHAN: The total property tax.

DEAN EDSON: The total property tax asked for this year was \$88 million in the budget total, for all 23 NRDs.

LINEHAN: OK. All right.

DEAN EDSON: And about 30% to-- 30% comes from Papio.

LINEHAN: OK. Papio is where we are. I know. [INAUDIBLE]. Never mind. [INAUDIBLE] later.

DEAN EDSON: But I could provide you each one of those--

LINEHAN: That would be helpful, I think.

DEAN EDSON: OK.

LINEHAN: OK. Senator Murman.

MURMAN: Yes. Thank you for testifying. I, I guess, in short, what you're saying is, since at least some of the rural NRDs or most have been very conservative with their taxing in the past, large projects such as the Gothenburg Project is something that they'll have-- the NRD will have difficulty funding in the future.

DEAN EDSON: Yeah. I'm glad you brought that point up. That's been kind of the problem here with this resource management, is where we really need the money is in those rural areas where we can get the offset water and do some things to offset the depletions to the river. Those rural districts don't have that full budget to do that. That's where-- what I was trying to point out in-- with LB1414, that if that Gothenburg Plant pushes the cost up for the Central Platte NRD above that point where they have to go to the vote of the people, it's over.

MURMAN: Yeah. Thank you.

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LINEHAN: Thank you very much for being here. Any other questions? Seeing none. Thank you very much.

DEAN EDSON: Thank you. And Happy Groundhog Day.

LINEHAN: If you're wi-- if you're going to testify on this bill, could you please come up front, guys? I know it doesn't seem like a big deal, but it does save a lot of time.

NICOLE FOX: Good afternoon. Nicole Fox, N-i-c-o-l-e F-o-x. Representing the Platte Institute. LB1415 would provide new state funding to school districts, counties, cities, and villages in exchange for property tax relief. A tremendous amount of taxpayer dollars are allocated in this proposal to school districts, counties, and mun-- and municipalities. The Platte Institute believes that some of this funding is appropriate for school districts so long as school district tax levies are forced down on a dollar-for-dollar basis and then subject to a hard tax cap. On the other hand, the Platte Institute does not believe that new state funds should be swapped to replace county and municipal property taxes. Furthermore, the Platte Institute recognizes that additional funds provided in this proposal might come from a tax increase elsewhere in the tax code. Platte Institute does not support raising a state tax to provide property tax relief. Under this proposal, more than \$1.7 billion is dispersed across school districts, counties, and municipal governments for fiscal year '24-25-- substantially more than is provided under current credit programs. By comparison, the Property Tax Incentive Act allocated \$560 million for income tax credits to offset school district property taxes paid in calendar year 2023, an amount that current law increases by an allowable growth percentage after 2023. The Platte Institute believes it is good policy to reallocate these exis-- existing income tax credits for school property taxes paid in order to provide dollar-for-dollar property tax reduction. Indeed, anywhere from 20% to 40% of school district tax credits have not been claimed in recent years, which has left approximately 100% to \$200 million of annual property tax relief with the state. Reallocated tax credits should provide a dollar-for-dollar reduction in school property taxes, and a new hard property tax cap should replace the existing soft cap. On the other hand, this proposal would make state government a significant new funder of county and municipal governments. We believe that while education is traditionally a joint state/local program, the property tax is the appropriate funding mechanism for counties and municipalities. LB1415 provides more than \$1.7 billion of annual funding to local governments, far beyond what

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is available to reallocate from existing credit programs. This implies that new state funds might be raised throu-- through a state tax increase. The Platte Institute opposes raising state taxes to fund a local government property tax swap. And with that, I conclude my testimony.

LINEHAN: Can you provide written testimony? Can you just get us a copy of that?

NICOLE FOX: Yeah.

LINEHAN: Not right now.

NICOLE FOX: I can forward it.

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

NICOLE FOX: All right.

LINEHAN: Is there anyone else wanting to testify in the neutral position? Senator Dover, we did get some letters. And would you like to close? We had zero proponents, three opponents, and two neutral.

BOSTAR: That sounds about right.

DOVER: All right. Thank you, Chairman Linehan. I'll be brief. Property taxes are too high in Nebraska. This bill will simplify the current process for securing your property tax relief and provide tax relief sooner. And now, for the first time, all property taxpayers will receive tier two property tax relief. Furthermore, over time, this bill will reduce everyone's property taxes. Thank you, Chairman Linehan and committee.

LINEHAN: That was great. Thank you. Everybody have a great weekend.