

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee February 8, 2024

Rough Draft

LINEHAN: [RECORDER MALFUNCTION] Revenue Committee. It's a public hearing. My name is Lou Ann Linehan, and I serve as Chair of this committee. I'm from Elkhorn, Nebraska, and I represent Legislative District 39. The committee will take up the bills in the order that are posted outside of the hearing room. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. 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 to testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. Plea-- to better facilitate today's proceedings, I ask you-- I ask that you follow these procedures. Please turn off your cell phones and other electronic devices. The order of the testimony is introducer, proponents, opponents, neutrals, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 10 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to 3 minutes and we will use the light system. So you have 2 minutes on green, 45 seconds on yellow, and 15 seconds on red. If your remarks are reflected in the previous testimony or if you would like your position to be known but do not wish to testify, please sign the white paper at the back of the room and it will be included in the official record. Please speak directly into the microphone so our Transcribers are able to hear your testimony clearly. We'd like to 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. Now, we would like the committee members to introduce themselves, starting at my far right.

KAUTH: Kathleen Kauth, LD 31, the Millard area of Omaha.

MURMAN: Dave Murman, District 38. I'm from Glenvil. I represent 8 counties in the southern part of the state.

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VON GILLERN: Brad von Gillern, Legislative District 4, west Omaha and Elkhorn.

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

MEYER: Senator Fred Meyer, District 41, central Nebraska.

LINEHAN: And Collin is right there And he is our page today. He is at UNL studying criminal justice. Are you on your own today, Collin?

COLLIN BONNIE: Yes.

LINEHAN: OK. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and is a critical part of our state government. So I'm going to ask-- we usually have 2 pages. We only have one. So are there-- how many of you are going to need copies made of something? Are we sure? OK. All right. We'll open the hearing on LB1067. Welcome, Senator Clements. Good afternoon.

CLEMENTS: Thank you. Chairman Linehan and members of the Revenue Committee, I am Senator Rob Clements, R-o-b C-l-e-m-e-n-t-s, and I represent Legislative District 2. I'm here to present to you LB1067 to phase out Nebraska's inheritance tax over 5 years. LB1067 seeks to improve Nebraska's tax structure. Allowing people to transfer more of their assets to family and loved ones will keep them from leaving Nebraska upon retirement, preserving estate assets, increasing capital formation, and encouraging economic growth. The tax on death has been repealed by 42 states since 1925, with 14 of those states dropping the tax since the loss of the state credit against federal tax in 2001. Nebraska kept its inheritance tax and remains the only state where it is paid to counties. I want to cite some rankings so that you can understand how we currently sit nationally in this tax category. Nebraska remains 1 of only 5 states in the U.S. that still collect inheritance tax, which includes Kentucky, Pennsylvania, New Jersey, and Maryland. Iowa was the sixth state, but its inheritance tax will be phased out on January 1, 2025. Inheritance tax rates vary by relationship to the deceased. Class I heirs are direct descendants

such as children, siblings, and parents. Class II heirs are other relatives such as nieces, nephews, aunts, uncles and cousins. Class III are nonrelatives. Surviving spouses are exempt from this tax. Nebraska is 1 of 3 states that apply drastically different rates depending on how a descendant is related to the deceased. This is fundamentally unfair. Even though the Nebraska Supreme, Supreme Court has upheld it as constitutional, 2 people could jointly inherit a property with one paying 15 times more tax than the other. Only Pennsylvania and Nebraska still levy this tax on Class I direct descendants. Nebraska is tied for 4th with New Jersey with a Class II tax of 11%, and tied for 3rd with Pennsylvania with a Class III tax of 15%. The Rich State Poor State Tax Competitiveness Index shows Nebraska currently ranks 37th nationally in all tax effects, the worst ranking among our 6 surrounding states. LB1067 when fully implemented would move us up to 32nd in a tie with Iowa for 6th and 7th. As a tax preparer and banker for the last 40 years, I've become aware of many instances where our inheritance tax seemed arbitrary and excessive. Not only are people usually grieving the loss of a family member or a loved one, but they may have to sell the real estate they just inherited to pay the tax they owe or take out a loan. For example, one of my customers died a few years ago owing no federal estate tax, but his niece and nephew owed over \$600,000 in Nebraska inheritance taxes. Another person inherited 80 acres from an aunt and received the deed to the farm, along with a bill for \$50,000 of inheritance tax. I think we can do better as a state. Nebraska is losing retirees faster than we are gaining population from other states. Our inheritance tax plays a major role in this out-migration. The 2022 National Van Lines Movers report showed that 61% of those who moved out of Nebraska were aged 55 and older, while just 12% were between the ages of 45 and 54. Nebraska is losing retirees to the 45 states who don't take 1%, 11%, or 15% from their estates. The inheritance tax is a very inconsistent form of revenue for most counties and can fluctuate wildly year to year, especially in smaller counties in which 1 or 0 residents might die each year. According to a survey conducted by the Platte Institute in 2021, 78% of Nebraska voters support repealing the county inheritance tax, including 86% of Republicans, 78% of Independents, and 64% of Democrats. However, the number one argument you will hear against phasing out the inheritance tax comes from local officials. The counties will be forced to raise property tax to make up for the loss of inheritance taxes. First, I have more faith in the county board's ability to make the necessary adjustments, especially over a very gradual 5-year reduction. Second, if the levies stay the same, increases in property valuations will more than make up for the loss

of inheritance tax. Third, per NACO data, statewide inheritance taxes increased from \$26.4 million in 1999 to \$73.7 million in 2019, a 179% increase. That is 5.3% compounded per year over 20 years. The 12,000 people per year who paid these taxes have benefited the other 1.8 million Nebraskans who use the county services every year. That is why I call this tax unfair. According to reporting data from 2023, 69% of Nebraska's inheritance tax revenue comes from Class I beneficiaries. Because of this, I was able to drop Class II and III rates to 5% immediately, with only a 17% drop in revenue statewide. For the remaining 4 years, rates are lowered equally, producing 20, 20, 20 and 23% reductions the remaining 4 years. Individual county experience will vary, as it normally does with inheritance tax. This strategy of gradual reduction was the Platte Institute's 2021 recommendation for how to best phase out Nebraska's inheritance tax, allowing counties to adjust accordingly. In order to offset part of the loss of inheritance tax. The bill restores the State Prisoner Reimbursement program, which ended in 2009. With a new penitentiary being built, having the option to shift prisoners could be useful to the state and beneficial to counties. The rate in 2009 was \$35 a day per prisoner, with an annual cap of \$3.9 million. The bill restores those rates. I am willing to consider updating those amounts with recommendations by your committee and the Department of Corrections. I have asked the Fiscal Office to check with the Department of Corrections about their potential need for county jail space. Also in the bill, I loosened current restrictions on the use of County Visitor Promotion and Improvement Funds, which come from lodging taxes, to be used for other purposes if necessary. It makes sense to me that maintaining roads and bridges does benefit tourism. After speaking to representatives from Nebraska Tourism and the Chamber of Commerce, I would consider an amendment limiting the amount that county boards could access for specific purposes. I'd like to thank the Department of Revenue for providing excellent suggestions to clean up language and make inheritance tax reporting more meaningful on the county level beginning July 1, 2024. These changes are implemented in the bill as well. I've been working on inheritance tax bills since 2020 to free Nebraskans of this antiquated, regressive, and arbitrary tax. I believe we can do better as a state in this area. We need to continue to give people more reasons to stay in our state and not leave. Turning to the handout, please look at page 1. It's this spreadsheet. The top section shows our current rates and how the Class I, II and III rates would graduate down over the 5 years. The middle section shows current tax revenue-- inheritance tax revenues and how they would grade down. And the row 3 of that shows the percent change, which I described is about 20%

reduction per year from the 2023 amounts. The bottom section on the bottom row shows the property tax percentage change that would restore the inheritance tax revenues, showing that less than 2% increase per year for 5 years-- each year for 5 years would cover the amount of inheritance tax revenue lost on the statewide basis. Again, each county will vary. Next page 2 shows data that I had from NACO, actual inheritance tax collections from over the last 27 years. Then you can see how they bounced up and down. The actual line is the blue line. And then I put the 5% compound increase there showing that the revenues from this tax have been a hidden tax in the background, growing 5% per year and putting a larger burden on the beneficiaries of estates. The next page, page 3, shows the states who have inheritance tax in the dark blue, and the yellow ones are ones that have an estate tax, but those typically have a really large exemption amount. And the last, page 4 shows county by county, up through 2020, the year 2020, and the 5- and 10-year averages for each of those counties in the state just for your reference. And the last 2 pages are the Platte Institute's report from 2021, the last page showing the survey where 78% of voters said they would like to discontinue this tax. I thank you for your consideration of LB1067, my priority bill for this session. I'll be happy to answer any questions at this time.

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

MURMAN: If either the, the person that owns the property in Nebraska or the beneficiaries die in a different state, or the beneficiaries, I guess, live in a different state, how does that affect the inheritance?

CLEMENTS: The-- it's where the deceased lived at the time of their death. If they have lived in Nebraska for the last 6 months, their estate and their assets are taxed as inheritance tax in Nebraska. As far as nonresidents go, if a person is a nonresident, dies outside Nebraska, excuse me. Back to your question, wherever the beneficiaries live, if the estate is from Nebraska, they will pay the inheritance tax as a nonresident because the assets are taxed in Nebraska. When the owner has died is a resident, but you only have to leave Nebraska for 6 months and 1 day to be a resident elsewhere. And it makes it pretty easy to leave the state and avoid the tax, except for real estate.

MURMAN: If the owner of the-- oh, except for real estate. That-- that's what I'm trying to ask. If the owner of the real estate or

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property in Nebraska, either way I guess, a house or a, a business, lives out of state for more than 6 months, then how does that affect if they still have property in Nebraska?

CLEMENTS: If they still have property in Nebraska, the--

MURMAN: And they die outside of the state.

CLEMENTS: There's somebody coming after me that's an expert in that [INAUDIBLE].

MURMAN: Well, we can figure it out later.

CLEMENTS: Ask an expert.

MURMAN: Yeah.

CLEMENTS: I'm not an attorney, but I know one really well.

MURMAN: OK. Thank you.

LINEHAN: OK. Are there-- thank you, Senator Murman. Are there any other questions from the committee? Seeing none, thank you. Are you going to stay to close?

CLEMENTS: Yes.

LINEHAN: OK. Thank you. Good afternoon.

RICHARD CLEMENTS: Good afternoon. My name is Richard Clements, C-l-e-m-e-n-t-s. Senator Linehan, members of the Revenue Committee. I have been an estate planning attorney in Elmwood, Nebraska since 1976. And to answer Senator Murman, the inheritance tax is a lien on real estate in Nebraska at the date of death of the decedent. And so real estate owned-- real estate located in the state of Nebraska is taxed regardless of the residence of the decedent. I have recently had a neighbor that moved out of Nebraska, sold his house, he had sold his business, bought a house in Florida. Part of his reason for moving was because of the Florida tax being zero instead of here. So I know he left-- he took several million dollars, I believe, of, of value to Florida that is no longer in our economy. But to get to my point then, I, I support the LB1067 for the following reasons. The heirs-- every heir of every decedent in Nebraska is subject to inheritance tax except surviving spouses. And no estate planning technique such as revocable trust, joint tenancy payable on death, transfer of death, or

beneficiaries reduce this tax. Many of my clients think that, that, that is possible and it is not, because of the, the tax being levied on property in trust or in joint tenancy. Any property of a decedent in Nebraska is subject, no matter how it's owned or held, unless they've given it away before death. Anyway. And, one problem I've seen is beneficiaries of smaller estates pay legal fees, such as mine, that are nearly equal to those of larger estates because the inheritance tax determination goes through the county court. And I've had several attorneys say that that fee is about the same just because of the process is about the same. I currently have a niece and nephew who inherited their, their uncle's farmhouse, and they had the house for sale. Now it's their grand-- great grandparents farm home. And they had a \$40,000 bill to pay to receive that house. And now I currently have it listed as a real estate broker unfortunately. I would-- I would want to note that 50 years ago this month was 1974. I was in law school, and the Legislature adopted the Nebraska Probate code with the specific reason, quote, to promote a speedy and efficient system for liquidating the estate of the decedent and making a distribution to his successors. That was LB374, supported by Senator Luedtke, Terry Carpenter, Senator Chambers, Senator DeCamp and others. I think it's the time to make that policy a real-- a reality in Nebraska.

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

VON GILLERN: Thank you for your testimony today. I'm curious. The-- first of all, I was shocked that 1974 is 50 years ago. It's, it's a whole 'nother topic. The-- you said there's no estate planning technique. If, if a family, particularly thinking of, of ag properties, if they can move property into an LLC or corporation, does, does that shield them from the inheritance tax?

RICHARD CLEMENTS: If I owned property in Nebraska, put it into an LLC, then I will own the LLC interest, the stock, the shareholder's interest, or the member's interest. And I own that property via the LLC, and the answer is no, it will not shield it from Nebraska's inheritance tax.

VON GILLERN: So that member's interest is then taxed as the member's--

VON GILLERN: The member's interest is taxed as personal property instead of real estate--

VON GILLERN: Thank you.

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RICHARD CLEMENTS: But it's still taxed. Yeah.

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

RICHARD CLEMENTS: Thank you.

LINEHAN: Other proponents?

BRANDI BURKETT: I start off with my name, right?

LINEHAN: Go ahead.

BRANDI BURKETT: Brandi Burkett. I'm actually an LD 4. Last name B-u-r-k-e-t-t. I'm a young individual that will someday inherit land. And we-- there's a big push for a lot of younger individuals trying to take over their family farms and stay, and keeping family farms in the family. Well, that's not the case a lot of times with the high expenses, and then let's throw in this inheritance tax as well. I just did some quick math. I won't get into too much details, but two-- about \$2.2 million worth of value, I'd have to pay about \$22,839 in income tax, let alone property tax a year for 2023 alone was \$29,883.32. It's about 500 acres. Corn futures, I'm going to go off the price of corn futures, this would be my income, 5, \$5.10 a bushel. If I'm making about 176 bushels, bushels an acre, I'm making about \$448,000. Now, is there-- and I've got to probably hire about three workers, \$93,600 let's say as an estimate. That's \$15 an hour, 40 hours a week. Let's not forget my income tax. Say I got a broken ankle, I got to go the doctor, \$3,000. Say, if I had a baby, that's about \$15,000. Let's throw in my car, car insurance, phone, house, OPPD, MUD, internet, daycare, crop insurance, food, health insurance, gas. So the list can go on about how much I owe. So, I don't know, throwing in this extra \$22,000 that I have to pay in inheritance tax. I think you're making enough off the property tax. So I just say let's get rid of it so I don't have to move to Iowa, and keep me here in Nebraska. So that, that's what I'd like to consider. If not, I'm probably just going to have to sell my land to, like, Great Wolf Lodge or something. And at the end of the day, I'll probably-- yeah. Good luck eating corn and food that's grown in a high rise building in New York City. Thank you.

LINEHAN: Thank you. Are there any questions from the committee? Whoa, whoa?

BRANDI BURKETT: Oh, sorry.

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

DOUG KAGAN: Good afternoon, Doug Kagan, D-o-u-g K-a-g-a-n, Omaha, representing Nebraska Taxpayers for Freedom. Our members say, don't be caught dead in Nebraska because they believe that those taxes have a negative effect on willingness to accumulate wealth through their hard work, saving, and investing. Our inheritance tax appears a grim reaper form of double taxation. We already pay tax on our income and property, so taxing assets bequeathed to heirs, heirs levies, levies an additional tax. The exemption amounts are paltry. We believe this tax infringes on personal rights to our inherited property. It directly contradicts the intent of wills. Heirs should feel free to use the accumulated family wealth as they choose. Parents should have the right to provide assets to their offspring or relatives with whom they have bonded. Those facing death should not suffer additional emotional distress and insecurity about whether the company or estate they have created will go to their children or close, sell, or shrink because of inheritance taxes. Heirs may find it impossible to continue a business or venture. Posthumous taxation is tantamount to grave robbery. Forbes magazine, magazine tagged Nebraska as a state in which not to die because of our high death taxes. Inheritance taxes present a disincentive to accumulate wealth and property. Sadly, many who suffer financially from this tax are those who have invigorated our economy. Individuals realizing that their assets will face taxation following their demise will consume more of their estate, a negative effect on future investment and capital accumulation. This tax punishes wealth creation. Morally, this tax taxes virtue, living, living frugally. Fees paid to accountants and tax attorneys to complete paperwork further diminishes estates. As inflation, appreciation of property and salaries increase, more Nebraskans find themselves snared by this tax. Yes, this tax infuses local budgets, but only minimally. Counties claim they use these funds to control property taxes, but sometimes spend the proceeds on extraneous expenditures. Example: Douglas County commissioners voting \$500,000 each year for several years to help fund a UNMC clinic. Particularly because of our high inflation and shaky economy, we urge senators to advance LB1067 to the full Legislature for debate. Thank you.

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

DOUG KAGAN: [INAUDIBLE]

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LINEHAN: Good afternoon.

DENNIS SCHLEIS: Good afternoon. I'm Dennis Schleis, D-e-n-n-i-s, last name spelled S-c-h-l-e-i-s. I am here in favor of LB1067, the need to get LB1067 out of committee. I have two points in this testimony. First, getting rid of this inheritance tax will make Nebraska a more family friendly state by helping families keep the family business or the family farm. This state law of inheritance tax just discourages continuance, continuance of family businesses and family farms. This is a state law that should never have been. It is an example of bad law. Second point, government entities that claim they depend on inheritance tax repeat that claim they depend on inheritance tax that fluctuates every year up and down is not a good business practice. Family budgets in all businesses do not meet budgets betting, and I repeat, betting on a finance income or call it part of their income as a betting figure. Betting on the taxing of grieving families and other family members is not a way to run a government entity. This is immoral. I believe this is immoral. Families don't run their family budgets depending on lottery winnings to finance their budgets. Family businesses and farms don't run their budgets depending on lottery winnings to finance their budgets. Let's keep Nebraska a family friendly state and society. And I have to add this little saying that used to be part of Nebraska's advertising, or motto. Nebraska, let's keep Nebraska the good life. Thank you.

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

DENNIS SCHLEIS: You're welcome.

LINEHAN: Other proponents?

ALLIE FRENCH: Good afternoon. My name is Allie French, A-l-l-i-e F-r-e-n-c-h, and I'm representing our grassroots group, Nebraskans Against Government Overreach. All three of the prior speakers said pretty much exactly what we wanted to say, so I'll keep it very short and very sweet here. If we want to keep our younger generations in this state on the family farm, etc., don't tax them out of house and home for the death of a loved one. If we can't all get on board for EPIC option, which would of course be the best solution possible, it only makes sense that we take the gradual steps to reduce the cumbersome taxes on Nebraska residents. And a reminder that it is the job of those elected to represent our counties and state to ensure the

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smooth function of government, without putting Nebraskans' livelihoods and homes at risk. Thank you.

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

ALLIE FRENCH: Thank you, guys. Have a good day.

LINEHAN: Thanks. Good afternoon.

JOHN AMICK: Good afternoon. My name is John Amick, A-m-i-- J-o-h-n A-m-i-c-k, and I live near Doniphan, Nebraska, it's a small town between Grand Island and Hastings. And in 1974, I graduated from high school. So 50 years goes quickly. For background, I'm a re-- I'm a retired attorney and former real estate broker licensed in Nebraska. And 33 years ago, I was also the legal counsel to the Legislature's Ag Committee working then for Senator Carson Rogers. I support the reduction and eventual elimination of the Nebraska inheritance tax for both policy and personal reasons. And we've already discussed how the tax has been repealed in 44, 45 other states. Those states have been able to budget and function without the inheritance tax, and I think our county governments can do so as well. However, the main reason that the Nebraska inheritance tax should be repealed is it is discriminatory and punitive to people who leave their property to heirs not related by blood. Currently, the inheritance tax is 15% of the fair market value of property bequeathed to an unrelated person versus 1 per-- 1% for someone who is closely related to the decedent. My personal situation is a case in point, and one that is not all that uncommon in rural Nebraska. Currently, my mother is 93 years old, good health. I'm 67, questionable health. We are the last two surviving members of our family. My grandparents, parents and sister are all deceased. We have no aunts or uncles, nor immediate-- nor any immediate cousins, and I have no children. In doing our estate planning, and to avoid paying some of the Nebraska inheritance tax, most of our estates will go to a charitable trust when we're deceased and to benefit worthy causes in Hall, Adams County and Kearney County. However, it is also our desire to leave some property to two individuals who have been like a family to my mother and I for many years. One individual has assisted my mother and I for over 25 years. We wish to leave him our home place and a separate 70 acre farm. The other is a young farmer, who, along with his dad, have farmed for us for over 50 years. We wish to leave him a 160 acre farm. The current fair market value of these three parcels is approximately \$2.2

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million. And under current inher-- under the cur-- Oh, am I out of time?

LINEHAN: I will ask you a question.

JOHN AMICK: Yes.

LINEHAN: Under current law, what would happen?

JOHN AMICK: On those two, those two individuals and those three parcels, the tax would be 2.-- roughly \$2.2 million versus, or, I'm sorry, \$330,000 versus approximately \$22,000 if they were directly related. So it's huge if you're not related to the person that is deceased.

LINEHAN: Right.

JOHN AMICK: So.

LINEHAN: Yeah, I get that. OK, thank you. That's very helpful. Are there questions from the committee? Senator Murman.

MURMAN: I've just got a quick one. You probably don't know this, but would you consider giving part of your estate to-- I, I think your family might have been dairy farmers way, way back in the early '70s when you're talking about--

JOHN AMICK: They were.

MURMAN: So.

JOHN AMICK: Well, They-- my dad traded dairy cattle.

MURMAN: OK. Well, there's another dairy farmer that bought a cow from me back in the early '70s. I just thought maybe you might consider giving your estate to, to that family.

JOHN AMICK: Would that be the Murman family? I will take that into consideration.

MURMAN: Thank you very much, I appreciate it.

JOHN AMICK: All right. But unless we pass this bill, you'll be paying 15% of the value of the farm.

MURMAN: It might be worth it.

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JOHN AMICK: OK. We'll, we'll leave you a good one.

MURMAN: Thank you.

JOHN AMICK: Thank you very much.

MURMAN: Thank you very much.

LINEHAN: Thank you very much. Are there any other questions? Seeing none, thank you. Senator Murman. Other proponents?

Speaker 1: Good afternoon, Senator Linehan and members of the committee. Thank you for the opportunity. My name is Linda Vermooten, L-i-n-d-a V-e-r-m-o-o-t-e-n. And what I want to say today has been said, but I, I want to start with a statement that we call this the good life. But as I was researching this bill and talking to many of my friends in the state, it seems more like a nightmare. Because as we just heard, you own a farm, and as Senator-- Senator Clements had said, all right, you pass away. I inherit the farm with a bill of \$50,000 or whatever it is. Well, in order to pay that bill, then I have to sell the farm, which I inherited to try to keep it in the family or in a close friend situation. So we are losing farms from the children and the next generations. Is that really the ligament, is that really what we want to leave to our children and the next generations? The inheritance that we want to leave is then coming under such heavy taxation, that land was being taxed the whole time that person was living there. So it's like double dipping. And if you're not a blood kin, it's like triple dipping, or quadruple dipping, almost, on the tax on that land. We have good farmers that have served us well. We have their friends and their children and their grandchildren that want to continue to farm land. But if we continue this taxation, we are placing that unfair burden upon all of those survivors that are left behind. They have their grief to deal with, and now they have a double grief, because they may stand to lose the very farm that they love, that they wish to continue to farm. So I urge you to pass this out of the committee to the floor for debate and passing into law. Thank you so much for your time.

LINEHAN: Thank you. Are there any questions from the committee? Seeing none, thank you very much. Are there any other proponents? Any other proponents? Good afternoon.

NICOLE FOX: Good afternoon, Chairman Linehan and members of the Revenue Committee. Nicole Fox, N-i-c-o-l-e F-o-x, representing Platte

Institute. Platte Institute has been a very strong supporter of legislation both to reduce the burden and eliminate the egregious tax for citizens of Nebraska known as the inheritance tax. And we thank Senator Clements for his work over the years to try and eventually phase this tax out. We're here today to testify in support of LB1067, and this bill does propose to phase out Nebraska's inheritance tax. As mentioned, 78% of Nebraska voters share our views. These voters are from across political party affiliation, across the state. They feel it needs to be eliminated. After this year, Nebraska will be one of five remaining states that levies an inheritance tax. And as it's been mentioned, we're the only state that levies it at the county level, we're the only state west of the Mississippi, Mississippi that levies it. Just of note, because it has not been brought up, there-- Kentucky, one of the states that does impose an inheritance tax, they, too, are looking to either, you know, eliminate this, or reduce its burden here in 2024. So, you know, we could be one of four states left after this year, depending on what happens in Kentucky. A very similar approach was pursued in Iowa. They did a phase out enacted in 2021, and as Senator Clements mentioned, it will-- it will end after this year. They did a 20% reduction over the course of five years. With so many options faced by both retirees and those in the workforce, the inheritance tax is one of many factors that taxpayers have used and will continue to use when deciding whether to remain or become a resident of Nebraska. According to the Tax Foundation, the inheritance tax disincentivizes investment and drives high net worth individuals out of state. This causes lost economic activity. With our changing society and family structures, it is quite possible that an heir will be a distant relative or not a relative at all. This means that even a very modest home could be subject to the tax. For distant relatives, this means an exemption of only \$40,000 and a tax rate of 11%, and for non-related heirs, an exemption of only \$25,000 and a tax rate of 15%. With the current median single family home being valued at \$246,000, that means \$24,000 and \$36,000 in taxes, respectively, and that does not include the cost of probate court. So two questions I have for this committee: number one, how many hardworking Nebraskans do you think find a sum like this exorbitant? And number two, is it moral and ethical to levy this additional tax on property, where annual property taxes have already been levied and will continue to be levied just because an original owner dies and a transfer of property is triggered? One quick point, if it's OK, is that I would like to also point out, you know, it's not just real property. The inheritance tax is paid on investments like annuities and IRAs, and this means the county is levying taxes on items where income tax is traditionally

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paid. So again, we really appreciate Senator Clements' work. We strongly urge this committee to advance this bill to the floor for debate.

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

NICOLE FOX: And real quick, I did email the entire committee a copy of our report that Senator Clements has mentioned.

LINEHAN: Thank you very much. Good afternoon.

ROBERT HALLSTROM: Good afternoon, Chairman Linehan, members of the committee. My name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m, here before you today as a registered lobbyist for the National Federation of Independent Business in support of LB1067. I have also signed in on behalf of the Nebraska Chamber of Commerce and Industry in support of the bill. Most of the points in my written testimony, which is being handed out, have been touched on, double taxation, extracting the final pound of flesh from the heirs and beneficiaries after they've laid their loved one in the grave. Also the issue about the high, high tax rates for the Class II and Class III beneficiaries, nieces and nephews and unrelated parties. Just a little personal story that shows the unfairness. My sister is not fortunate enough to have children. Therefore, she treats my children as her own. And if she predeceases me and leaves her property to me, I pay 1% tax on it, and my children pay 1% tax. If I predecease her, my children are going to pay the niece and nephew tax rate. Really no change of substance, but increased tax because of the form. We certainly welcomed the relief that was granted a few years ago by Senator Clements legislation in increasing the exemption levels and reducing the tax rates, but we believe the time has come to phase out and eliminate, ultimately, the inheritance tax. I would be happy to address any questions that the committee may have.

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

ROBERT HALLSTROM: Thank you.

LINEHAN: Are there other proponents? Any other proponents? Good afternoon.

BRUCE RIEKER: Good afternoon. My name is Bruce Rieker, B-r-u-c-e R-i-e-k-e-r. I'm the senior director of state legislative affairs for

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Farm Bureau, here testifying in support of LB1067. We appreciate Senator Clements for bringing this. I think that we'll have some members that will be testifying in a different capacity later on. But, because we're a very broad based farm organization that-- we'll have county commissioners, and other elected officials across the state. Our state policy supports property tax relief and supports the elimination of the inheritance tax. I have been directed by our leadership to share with you that we are for this. However, if it results in just moving it to property taxes, the greater goal is reducing property taxes. So just in case somebody is going to ask me, which is your priority, I hope I answered that is that long term sustaining-- sustainable property tax relief is our highest priority. With that, I closed my comments.

LINEHAN: Thank you. Are there any questions from the committee? So you support the bill?

BRUCE RIEKER: We support the bill.

LINEHAN: But you're here today just for Farm Bureau?

BRUCE RIEKER: Yes.

LINEHAN: OK. Seeing no other questions, thank you very much.

BRUCE RIEKER: You're welcome.

LINEHAN: Are there any other proponents? Are there any opponents? If you're going to testify on the bill, if you can, move forward a little bit, that's great.

Speaker 8: Good afternoon.

LINEHAN: Good afternoon.

STACY SWINNEY: My name is Stacy Swinney. It's S-t-a-c-y S-w-i-n-n-e-y and I live in Dawes County, near Chadron, Nebraska. I have for about 40 years. I'm representing the Dawes County Travel Board at this meeting today. I can see benefits on-- this is a three part bill, and I'm representing in opposition of the third little part of the travel board. I served as a Dawes County Commissioner from 2011 to 2014. During that time, I was part of the Dawes County Travel Board as commissioner. In 2011, I was appointed to the Travel Board by the commissioners as a member at-large. In 2012, our area of northwest Nebraska, Dawes, Sioux, and Sheridan Counties, endured a devastating

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forest fire covering hundreds of square miles. We raised the lodging tax from 2% to 4%. The people and businesses of our area have come together and launched a fire recovery effort that has been unbelievable. We have been assisted by federal and state agencies. Nebraska Game and Parks Commission has been a major part of working with Chadron State Park, Fort Robinson, and the Cowboy Trail. Tourism in our area was coming back. Then Covid hit, but it may have actually helped. People were and are looking to visit less populated areas, and our numbers are steadily increasing. LB1067 is 18 pages long, and deals mostly with prison and county jails and inheritance taxes. Just over two pages explains tourism boards and the lodging tax revenues and the use of. In only one sentence, page 16, lines 6 through 9, that says, if the governing body of the county determines, in its sole discretion, that the proceeds of the County Visitors Promotion Fund or County Visitors Improvement Fund are needed for any other county purpose, the governing body may use such proceeds for such purposes. We are here to ask you to amend, delete, or omit this added statement. We work with a long term annual plan, and for every dollar spent on promoting our area and our county, the research tells us that \$20 comes back into our county economy. That's dollars that a calf or bushel of wheat does not have to bring back into our economy. The--

LINEHAN: You've hit you i-- your time limit.

STACY SWINNEY: Pardon me?

LINEHAN: You've hit your time limit. Your red light.

STACY SWINNEY: Oh. I'm sorry.

LINEHAN: No, no. You're fine. You're fine.

STACY SWINNEY: We're just asking-- this-- the way this reads is if two of three commissioners, one of [INAUDIBLE] or greater, than they can take our yearly budget completely for one machine or one project. We work with our commissioners enough closely, but we don't know what the next year election's going to bring.

LINEHAN: So thank you. Are there any questions from the committee? So you're not against the rest of the bill, you just don't like that part of the bill.

STACY SWINNEY: Personally, I am not, no, and I, I see good things in the other two items of the bill. But as-- I, I drove here from Chadron to represent the travel board, and this tells us how the funding and

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everything is-- goes on these two pages. It lays out how the money is to be spent. And then in one sentence it says, it gives all the power back to the commissioners and, and-- to they can clean out our whole budget for years.

LINEHAN: Yeah. I get it. OK, thank you very much. Any other questions? Seeing none, thank you for being here.

STACY SWINNEY: Thank you ma'am, thank you for you--

LINEHAN: It's a long way to Chadron.

STACY SWINNEY: Thank you.

LINEHAN: Are there any other opponents? All right. Aren't we on opponents? Good afternoon.

TROY UHLIR: Good afternoon, Chairman Linehan. Troy Uhlir, T-r-o-y U-h-l-i-r, here representing Madison County and NACO board as an executive on that board. I think everybody's kind of hit on it on the proponents side is, we definitely all would like to see this to go away. I just want to bring to light what this does in counties. It is a small percentage of our budget. But, however, we do use this to do good things. In Madison County, we usually lower our levy by \$0.03, which is 7.5% of our normal levy. To keep the levy low, we use it as a cash reserve. So we had some, some bank murders years ago. That money was used that would not have otherwise been in the budget. We've used it to recover from the flood damage in 2019. We've upgraded our electrical system, which was original, our HVAC system. So I think you guys are aware, if we take this tax away, we're going to put this back on property tax and try and have to shore up some services. We think as county officials, we do our best to try and keep our budget on track and on task, but we don't have other revenue sources, so we're relying on property taxes if this goes away. So I would really ask that you guys try and find a way to help us fund that small percentage in another way. We'd be willing to work with you to look at other ideas of where that would come from, or possibly raise the exemptions of where the inheritance tax starts.

LINEHAN: Thank you. Are there any-- am I interrupting you, did you have--

TROY UHLIR: Nope. I'm done.

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LINEHAN: OK. Are there any questions from the committee? Seeing none, thank--

TROY UHLIR: Thanks.

LINEHAN: --you very much for being here. Good afternoon.

CARL GROTELUESCHEN: Good afternoon, Senator Linehan Good to be here this afternoon to, to see you and the rest of the committee. My name is Carl Grotelueschen, first name Carl, C-a-r-l, Grotelueschen, G-r-o-t-e-l-u-e-s-c-h-e-n. I've been a, a Colfax County commissioner for five years. I'm here to testify in opposition to LB1067. In Nebraska counties, two sources of tax revenue to fund the goods and services required to operate their respective county. Those two sources-- [COUGHS] excuse me, of revenue are property and inheritance taxes. In Colfax County, for more than five years, we have used \$600,000 of inheritance tax receipts to help support our general fund expenditures. The proposed tax rate reduction and final inheritance tax repeal will create a huge shortfall of tax revenue in Colfax County. The county board has been closely scrutinizing department budgets, and feel that those budgets cannot be cut without sacrificing the goods and services expected by our residents. The county board would be forced to increase the levy on property taxes to fund these services. For fiscal year '23-24. Colfax County has collected \$5.8 million in the property tax revenue, and the \$600,000 inheritance tax revenue. This demonstrates that the elimination of inheritance tax is would necessitate a nearly 10% increase in property tax collections. The proposed reimbursements to counties for housing of state prisoners held in county jails does not apply to Colfax County, because we contract our jail services to surrounding counties. LB1067 suggests that the revenue collected by the hotel/motel tax to fund the County Visitors Promotion Fund and the County of Visitors Improvement Fund be shifted to fund any other county purposes deemed necessary. These funds, collected in Colfax County, fall woefully short of the \$600,000 loss proposed by the elimination of inheritance taxes. Colfax County collects less than \$30,000 annually, annually from the hotel/motel tax. As we work to reduce property tax burden on the residents of the Nebraska, I feel that the reduction and elimination of inheritance taxes would cause an undue tax burden on property tax payers. I encourage this committee to oppose LB1067, and not advance this bill out of committee. I'd be happy to answer any questions that you may have. Thank you.

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LINEHAN: Thank you very much. Are there any questions from the committee? I have one.

CARL GROTELUESCHEN: OK.

LINEHAN: And if you don't know, that's fine. But is that a normal amount of property-- of inheritance taxes for Colfax, Colfax County, \$600,000?

CARL GROTELUESCHEN: We've been using-- we've been-- we have this fund that we-- that we collect inheritance tax funds into, and we've been able to sustain the \$600,000 claim out of that on an annual basis for several years.

LINEHAN: OK, maybe I'm asking the question wrong. It's not-- Jump in, anybody that can think what I'm trying to say. \$600,000 inheritance tax revenue. So in '23-24, did one or two or three people die that left \$600,000 in inheritance tax revenue?

CARL GROTELUESCHEN: On an a-- on an average basis, we can-- we've been using \$600,000 annually to offset the tax levy, the real estate tax levy.

LINEHAN: OK. All right. Thank you very much. Were there any other questions from the committee? Thank you.

CARL GROTELUESCHEN: Thank you, Senator.

ANJANETTE BONHAM: Good afternoon, Chair Linehan. Members of the committee. My name is Anjanette Bonham, A-n-j-a-n-e-t-t-e B-o-n-h-a-m. I appear before you as president of the Nebraska Travel Association. NETA represents Nebraska's third largest industry. In my day job, I serve as the executive director of Visit Hastings. NETA opposes only the provision in LB1067 that would let counties use lodging tax revenues in a way that those lodging taxes were never intended. NETA appreciates the reason Senator Clements introduced this bill. We understand the local challenges that come with operating prisons. We hear from our neighbors about inheritance tax issues. We have no objection to any of those provisions of LB1067. I'm here to speak only to one provision of the bill. Section 13 would allow county boards to sweep funds that were specifically created for promoting tourism. These tourism promotion funds are-- or come entirely from lodging taxes. Lodging taxes were established to help counties and the state promote tourism. The source of funding obviously makes sense. Lodging revenues have long been the gold standard for gauging success in

promoting tourism. For example, in Hastings we promote as the official birthplace of Kool-Aid. Visitors come from all over the world to see the original Kool-Aid factory in downtown Hastings. The visitors stay in our hotels. They pay lodging taxes. We use those lodging taxes to extend our reach, to promote and tell more people about the Kool-Aid factory, local bars, restaurants, and all of the other great opportunities Hastings has to offer. In addition to lodging taxes, these visitors pay sales tax for the food they eat, the local craft beer they drink, the admissions they pay for attractions, and the fun things they buy their kids as souvenirs. You get my point. These tourism promotion funds are generating income for local businesses and nonprofits. They are bringing people to town, and the people have this tendency to spend money. They are fueling our local tax coffers. By divert-- diverting tourism promotion funding for other purposes, LB1067 would put the very source that-- of that funding at risk. If visitors are not staying in our hotels and paying lodging taxes, we don't have the money for tourism promotion. But we would also lose the tail sax-- sales tax revenue from all other stuff the tourists buy. The bill may not only kill tourism promotion, but would also erode funding for our essential government services. We appreciate the challenges Senator Clements is trying to address and we applaud his efforts. We respectfully ask the committee to strip section 13 from the bill. I have also been asked to say that the Nebraska Hospitality Association endorses this testimony, and that concludes my testimony. I would have-- be happy to answer your questions.

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

MURMAN: Just a quick one. Did you forget the Bigfoot Museum?

ANJANETTE BONHAM: You know what? That is actu-- no, I didn't forget. But it's the only one in the state of Nebraska. And it is-- people internationally have come. There's been 13 different countries and different states, and people come to Hastings just for that.

MURMAN: Thanks.

ANJANETTE BONHAM: But thank you.

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

ANJANETTE BONHAM: Thank you.

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RANDY OBERMIER: Good afternoon, senators. I'm Randy Obermier, R-a-n-d-y O-b-e-r-m-i-e-r. I'm a York county commissioner. I've been a commissioner since 2016, chair since 2020. My mission here today is to inform you about what we actually use the inheritance tax for. We do collect a fair amount. We are blessed in our county to have good fertile farm ground. And-- but we do also host nonprofits: CASA Blue Valley, SEND, Hope Crisis Center, our public library, York Adopt-a-Pet, Henderson Ambulance, and York County Economic Development. These, all told, add up to about \$175,000 that we do host on an annual basis. Secondly, our inheritance fund continues to pay for motor graders. Last year, one motor grader alone was \$350,000 or \$0.01 on our tax levy. Patrol car for the sheriff's department, gravel for our roads, computers for our offices. List of items we have purchased over the last five years include a new call center we added on to our building. It cost \$2 million. That was paid for solely out of inheritance tax. We've also done the boiler for the courthouse, a new vehicle, a shed for our motor graders in a little town north of us, Benedict. So, now recently, we experienced a snowstorm. That snowstorm cost us a little over \$200,000 in excess labor and fuel, in hiring independent contractors to try to help us get our people out. That, undoubtedly, is going to come majority from our inheritance tax, as we cannot budget for stuff like that. The inheritance tax has been called a slush fund. I would like to call it a reserve. We do need a reserve. If the inheritance tax goes away, we will have to build up a reserve. So that will go directly to the taxpayers. I've yet to meet all the commissioners throughout this great state. I've met a few new ones today. I can tell you that all our stories will be the same. If this goes away, property taxes will go up. We have no choice. There are services we plo-- services we supply, and those services cost money. In York County, it will be somewhere between \$0.02 and \$0.03, or roughly 10% is what it will be by the calculations I've made recently. I thank you for your time today. If there's any questions I would entertain or try to do the best I can to answer them.

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

von GILLERN: Thank you, Senator Linehan. Thank you for being here, Mr. Obermier. Just curious, what do you normally-- you guys got really nailed by that snowstorm. What do you normally budget in-- over an entire winter for snow removal?

RANDY OBERMIER: Well, the, the overall county roads department budget is in the \$3 million range. I cannot break that down exactly what we

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do. You know, we spend roughly \$700,000 annually on fuel to run our patrols and our gravel trucks and everything up and down the roads. And then--

VON GILLERN: So snow removal is lumped into that total road maintenance budget?

RANDY OBERMIER: It's all lumped into it, labor and everything.

VON GILLERN: OK.

RANDY OBERMIER: So the overtime and, and then-- the independent contractors alone that we hired-- now we had an excellent turnout from everybody else helping us, but the independent contractors alone was just over \$100,000 to help get people out.

VON GILLERN: Thank you.

LINEHAN: Thank you, Senator von Gillern, and Senator Kauth.

KAUTH: Thank you, Chair Linehan. So, Mr. Obermier, we keep hearing, you know, that there are so many good things that are done with this money. So that's-- it's not really what is done with the money, but the fact that the money is coming from people who died and saved their money, saved their property, to pass it on. And I guess I'm wondering if-- I still haven't heard people talking about what can you cut to adjust your spending to-- if this goes away, I get-- I hear lots of threats of increasing property tax, which of course, you know that that's a hot topic right now.

RANDY OBERMIER: Absolutely.

ALBRECHT: I, I question whether or not that is necessary if you haven't first looked at where you spend the money. When you talk about giving money to all of the nonprofits, surely there are other ways that those nonprofits can be doing fundraising on their own that's not taking from the few people who have died.

RANDY OBERMIER: Undoubtedly, we provide services. Now, some of those services we cannot get out of. You know, we have to have veteran service officers, we have to have the treasurer, the clerk, and all those budgets. So we can find some areas to cut, there is no doubt about it. But when we, for instance, had the postcard bill last year, and we talked about the increase, and I, I posed the questions, where do you want us to cut? Yeah, well, nobody wants to cut services, they

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want to cut taxes. They don't want to see less help at the treasurer's office when they go to pay their taxes, they want to go into a smooth transition and walk out. We can cut that down, but it's not going to be very nice. We can cut roads out. But I guarantee you, if we go to our county and say, hey, we're going to do away with half the roads, we're going to quit graveling, you didn't hear a disturbance yet, you will hear a disturbance there. So that that part, you're absolutely right. We can cut them, but we don't see the services wanting to be cut.

KAUTH: Well, and so then I guess my question is, why is that burden being placed on only those people who have died within a state? Because again, you're, you're narrowing it down and targeting those people who have left money rather than spreading it out, as you threatened with property tax increases. If everyone is using those services--

RANDY OBERMIER: Right.

KAUTH: --the inheritance taxes has seen its day.

RANDY OBERMIER: And I would say that, that I don't mean it as a threat. This is just what's going to happen, because the motor graders we need to continue to purchase, patrol cars for the sheriff's department we need to continue to purchase, and it will get spread out. There is no doubt about it.

KAUTH: How many people die in your county each-- I mean--

RANDY OBERMIER: I can't tell you.

KAUTH: --how exactly do you project planning for this?

RANDY OBERMIER: We--

KAUTH: I mean you're talking about road graders, and--

RANDY OBERMIER: We currently--

KAUTH: --so you must have some idea.

RANDY OBERMIER: Yeah, ok. We currently budget between \$500,000 and \$600,000 annually. Over the last five years, our inheritance fund has brought in an average of \$1 million a year.

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KAUTH: So you're budgeting \$500,000 a year to get from people who have passed away. You're actually getting a little over a \$1 million a year from people who have passed away.

RANDY OBERMIER: Annually, we're right about \$1 million [INAUDIBLE].

KAUTH: You're not able to cut or say, hey, we can start structuring this down.

RANDY OBERMIER: We can, once again, start cutting services if that is the case, and we, we use-- I, I hit some of the highlights that we spend the money on. There is-- the list is much longer than that, longer than what three minutes would allow. So those people-- we don't like taxes anymore than anybody else, we pay them too. I'm just telling you, this is a revenue source we will be losing, and we're going to have to start to back out.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Are there other questions from the community? What is your total county budget?

RANDY OBERMIER: Our total tax request was \$7.4 million last year. I can't give you the overall county budget.

LINEHAN: That was-- excuse me, what was the 7.4?

RANDY OBERMIER: \$7.4 million was our tax request to our taxpayers last year.

LINEHAN: So your property tax ask.

RANDY OBERMIER: Yes.

LINEHAN: And you, you have no other tax income, right?

RANDY OBERMIER: Right.

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

RANDY OBERMIER: Thank you.

WADE SLUKA: Good afternoon, members of the committee. My name is Wade Sluka, W-a-d-e S-l-u-k-a. I serve on the Fillmore County Board of Supervisors. I've been-- I think I'm in my seventh year, eighth year

now. It's amazing how much time flies, but in my time on that board I have watched equipment prices go sky high. Motor graders have been talked about. When I first got on the board, they were around a \$250,000, now they're closer to \$400,000. Everything has gone up. We all know that. Everybody that works with a budget knows things have gone up. A few things that Fillmore County has used the inheritance tax fund in the-- just in the last four years, we've reduced property taxes by transfer to the general fund by \$1.7 million. Security equipment of 100-- over \$100,000. Equipment for our dispatch center, \$54,000. I believe. Amy Nelson, Fillmore County Clerk, has emailed everybody on this committee this same list that I'm reading off of right now. Tasers for sheriffs, \$15,000. And we have a very small sheriff's department compared to many counties. The dollars that are used from inheritance tax are vital to Fillmore County and all county governments. Anytime you try to balance a budget, those kind of mon-- the extra dollars are critical. That being said, I'm a farmer. I'm going to hopefully inherit ground someday. I don't want to pay inheritance tax any more than the next guy. My grandmother is 93 years old. My father was over 70. There could be a double whammy in a short amount of time. You just don't know. I don't want to pay it. I get that logic. But until there is a guaranteed revenue replacement of inheritance tax, county budgets would be forced to raise property taxes. That's just a simple statement, and I'm not trying to say it as a threat. I'm not trying to say it as an e-- in a negative. It's just the fact of the matter. Those dollars are critical for county governments to move forward. And that is all I have to say today, and I'll gladly take any questions you might have.

LINEHAN: Thank you. Are there-- there are questions. Senator von Gillern.

von GILLERN: Thanks for being here today.

WADE SLUKA: Thank you.

von GILLERN: Your, your family illustration is compelling, and, and it leads me to the question, and that is, isn't it, isn't it an undue burden on your family to pay such a large expense to support the services that are provided to all of the residents in your county?

WADE SLUKA: I would say that all residents of the county deserve services. So where do you-- would you start cutting services? This is one revenue stream that the Fill--that a county has, property tax and inheritance tax.

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von GILLERN: I, I, I hear what you're saying, and forgive me for interrupting you, but that wasn't my question. If you pay, pick a number, \$10,000, \$20,000, \$30,000 in a year in inheritance tax, and your neighbor is paying \$6,000 or \$8,000 in property tax, the, the excess that you paid beyond what all of your neighbors are paying is going for the benefit of the entire county. And that's an undue burden that I see it. I'm asking you, do you see it as an undue burden on the family of the deceased that is going to benefit all the residents of the county instead of what you say the alternative is, which would be increasing property taxes for everyone, which would be sharing that load amongst everybody in the county.

WADE SLUKA: Yes, I see your-- I see your point, I do. And again, my point is it comes back to I don't want to pay the property-- or the inheritance tax. We all get that. I, I do think it's an archaic way of looking at things and I don't like it. But that revenue stream has been there for how long? I believe 50 years or longer, I don't know, but that revenue stream is there and the county governments are-- it's pivotal in how they set their budgets. So until that revenue is replaced with something like this bill, I have, to my knowledge, does not have a revenue replacement for inheritance tax.

von GILLERN: But to your comment, the revenue replacement would be an increase in property taxes.

WADE SLUKA: That's the only option we would have.

von GILLERN: Yeah. OK. Thank you.

LINEHAN: Thank you. Senator von Gillern. Are there other questions from the committee? I'm going to try to make this a question. It does seem-- many times the people paying the inheritance tax are not local residents, right? They're people who've moved away.

WADE SLUKA: Some, yes.

LINEHAN: So how is it fair to tax people that don't even live there for the expenses of running the county?

WADE SLUKA: The property would be owned in that county. I mean, if we're talking just on the farm ground, if you inherited the farm ground, you're paying the inheritance tax. I don't see how the location of where that person lives--

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WADE SLUKA: Because they get no services. You're taxing people that get nothing. Taxes are supposed to be-- a basic thing of taxes, you pay a tax because it provides you a service.

WADE SLUKA: I understand that. And--

LINEHAN: And now we're taxing-- this taxes people that are getting nothing.

WADE SLUKA: And if you inherited \$1 million piece of farm ground, you aren't going to receive anything off of that? If you now own \$1 million piece of farm round that you didn't own before, now that is a new revenue stream that you have that you didn't.

LINEHAN: They still don't live there.

WADE SLUKA: But they're still going to make money off of that farm ground.

LINEHAN: And they'll still be paying property taxes.

WADE SLUKA: Yes, they will. And that's-- in one hand, we have everybody saying lower property tax. And now on this bill we're saying eliminate inheritance tax.

LINEHAN: Well I actually think this might be a worse tax than property tax.

WADE SLUKA: And I don't even disagree with you on that. I can't say that. I just don't know how governments, county governments would move forward without a property tax increase.

LINEHAN: OK. Thank you. Any other questions from the committee?

WADE SLUKA: Thank you for your time.

LINEHAN: Thank you very much.

JOE LORENZ: Good afternoon, Senators. My name is Joe Lorenz. The last name is spelled L-o-r-e-n-z. And I'm here representing Douglas County. The annual proceeds from inheritance tax in Douglas County have averaged \$16.7 million a year over the last five years. Some of that has a trickle down impact from the success of Berkshire Hathaway. On average, about 1,450 estates are subject to-- estates are subject to inheritance tax, which represents 0.25% of the population of Douglas

County, which has over 600,000 people. Inheritance tax is used by the Douglas County Board of Commissioners to fund essential and mandated social services. No inheritance tax is used in Douglas County in or-- to fund or transfer to the general fund. The most significant uses of general fund in recent budgets has been \$4.5 million to fund our health center, which is a long term care facility, which is for about 300 beds, which is primarily used by people of the last resort. We give \$3.25 million to the Community Mental Health Center. We give \$1.5 million to general assistance. We give \$2.85 million to the health department. We give \$500,000 to the Veterans Affairs Group. We give \$500,000 to state institutions for mental illness for those visits. Then we pay a little bit to escrow liability and \$2 million to the public safety bond fund and debt service. Coming back to the point that if the \$16.7 million of inheritance tax is eliminated, property taxes would have to increase by 8.9%, an increase of 2.6 cents on the current levy rate if we were to maintain the current level of social services. If we didn't maintain that so-- level of social services, there's a good chance you would see spikes in the rates of homelessness and crime, given the social services that we're funding. So the other sources of county revenue would require new enabling state legislation to offset this for fee increases or increased state funding for criminal justice services such as the courts, detention, and probation. The current bill has a provision in there for prisoner reimbursement, which to Douglas County is worth a little under \$200,000, and the tourism is worth probably \$1 million to \$2 million. And we're looking at a \$16.7 million number, so the things that are being offered far-- fall far short of being able to offset our loss that is being used to fund these social services. That's my [INAUDIBLE] my comments. I'd be glad for any questions. Thank you.

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

von GILLERN: Thank you for your testimony. The-- so the funds that come into-- from the inheritance tax, they're are restricted in the Douglas County budget--

JOE LORENZ: They--

von GILLERN: --to only these expenses?

JOE LORENZ: The, the, the fund, no, they're not restricted, but it's a separate fund. And within that fund, every year in our state budg-- in

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the book that goes to the state budget, they are what we call budgeted transfers in this amount of \$16 million to \$17 million.

VON GILLERN: OK. So, OK, I think that's, that's different than what I understood you to say when they don't go into the general fund.

JOE LORENZ: No, it's in the inheritance tax fund.

VON GILLERN: OK.

JOE LORENZ: And all these functions ha-- are their own fund.

VON GILLERN: So the, I'll just pick one, the Health Department, \$2.850 million, is that the total budget for the Health Department?

JOE LORENZ: No, our--

VON GILLERN: In Douglas County?

JOE LORENZ: --our health department gets a lot of grants. So our, our funding there would probably be \$6 million or \$7 million.

VON GILLERN: OK. OK. So these funds go into the inheritance tax fund, for lack of a better term.

JOE LORENZ: Right.

VON GILLERN: And then they contribute to paying all those--

JOE LORENZ: They are tru--

VON GILLERN: --those line items.

JOE LORENZ: We do a entry. It's a budgeted transfer.

VON GILLERN: OK.

JOE LORENZ: We transfer that amount into that, that other. So these are fund transfers.

VON GILLERN: OK. So all of these programs exist outside of the inheritance tax fund. However, the inheritance tax fund--

JOE LORENZ: They're all their own fund.

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VON GILLERN: Helps to pay-- that's-- this is just where the board has elected to direct those funds.

JOE LORENZ: Yeah, that's how we fund those functions, yes.

VON GILLERN: Thank you. Appreciate that.

LINEHAN: Thank you, Senator von Gillern. Are there are other questions from the committee? Senator Albrecht.

ALBRECHT: Thank you. How do you interpret the state statute for inheritance tax? How, how counties can spend that-- those dollars?

JOE LORENZ: We think that it comes in and it can be funded for, you know, purposes-- I think, you know, some people fund it on roads, we fund it on social services. I mean, some people use it as a reserve fund. I think it's a pretty broad basis, just like the property tax, that there's a fair amount of discretion on the part of the county commissioners.

ALBRECHT: Well, I was a county commissioner, probably, 8, 9, 5, 15 years ago. And I recall the inheritance tax could never be spent on anything more than brick and mortar. You know, we can do it toward roads and bridges, but never to be put into a cash fund just to balance a budget, or to purchase items like motor graders or things like that. So I appreciate the fact that you aren't using it in your general fund. But we're all sitting here, and I've been listening very intently on how people are using these funds. And I'll tell you what, you know, we around this table are tasked at trying to figure it out. We're not the ones that charge the property taxes. The counties are. But we here have to determine, do we just get rid of all the exemptions in our state, just everything, and have everybody at the table to play. We are looking for \$2 billion to reduce people's property taxes. You know, some people say yes, they want those reduced. You know, I, I'm supposed to be asking you questions, but when you sit here and I keep hearing that, you know, we have Jon Cannon, who is supporting and has been with our group with property tax reduction, saying yes, we will help, yes, we will help. But then we get this inheritance tax when we're trying to help the people, and we have all these folks here talking like we can't give it up, we just can't give it up. I feel like when we are trying to get these exemptions, you know, taken back some of those exemptions are going to go toward counties, some of them are going to go towards cities. So I hope before you leave here today, you don't just think that, you know,

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we're just going to take it away, you figure it out. We're all going to figure this out together. It's not going to be a one size fits all, but we will figure out how we're going to get there. But on the backs of just one, one person or another is not the way to get this done. So we're going to work diligently this year to start winding down what's been going on for the last 40 or 50 years and, and make it a better place for all Nebraska residents. So I appreciate all that you've said today and, and those previous to you, but we've got a lot of work to do, all of us. And, and the spending is the big deal. People are watching you. People are watching how you're spending their tax dollars. So that's all I'm gonna say.

LINEHAN: Thank you.

ALBRECHT: Yes.

LINEHAN: You've been very quiet most of the day.

ALBRECHT: It's not like me, so yeah.

LINEHAN: You get your moment.

ALBRECHT: Thank you.

LINEHAN: Thank you, Senator Albrecht. I'm going to ask some question about--

JOE LORENZ: Sure.

LINEHAN: [INAUDIBLE]. So the Health Center, I know it's like midtown, it's 42nd Street?

JOE LORENZ: 42nd and Woolworth, yes.

LINEHAN: But you have no obligation to do that, right?

JOE LORENZ: That is not a mandated function. You're correct.

LINEHAN: Not mandated.

JOE LORENZ: But it is a func-- it is a service of last resort, we feel.

LINEHAN: No, I'm familiar with it. I've been there. Community Health Center. Where is that?

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JOE LORENZ: It's actually at one floor in that building. And that is, you know, that's a mandated function that serves people. It's-- they run a clinic, and it's-- and it's open services for people who have mental health issues.

LINEHAN: Those services different from Community Alliance that's right down the road?

JOE LORENZ: Do they-- I'm not a quite expert, this is the county funded mental health function. And these are the things that would-- people have to certify to send people to the state mental health facility. And I can't tell you the exact difference between our public mental health facility and a private one, of which there are some in the city, yes.

LINEHAN: Community Services/General Assistance. That seems kind of vague.

JOE LORENZ: No, that's just gen-- that's relief. I mean, that's where you pay money, help some people out with rent, help some people out with burial. Sometimes we'll give them money to go to a--

LINEHAN: Who decides-- who decides those things, like--

JOE LORENZ: It's, it's the director of the general assistance area, and that's a mandated function, general assistance.

LINEHAN: Mandated by the state?

JOE LORENZ: Yes.

LINEHAN: And the Health Department's mandated?

JOE LORENZ: The, the-- I--

LINEHAN: Don't they get some state funds to hel--

JOE LORENZ: They get a lot of, of funding from grants pri-- from their largest source of funding is grants. I don't know how much they get from the state. You have to remember, the Douglas County Health Department is a little different. Like in the pandemic, every other county in the state kind of relied on the state Health Department to do the vaccinations. Douglas County, given its size, our Health Department ran that operation on their own.

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LINEHAN: Well, that's a whole trail we don't want to go down. Public Safety Bond? So you're using it to pay off a bond?

JOE LORENZ: We're, we put it out for a public safety bond is when we re-- re-did a building, and the bond holds certain services, like 911 communications and things like that. So we re-did the old veterans home on Maple and 156th Street. And now that it's used by certain county services, and we are contributing part of that to the debt service of that bond.

LINEHAN: Did that go to a vote of the people?

JOE LORENZ: That one did.

LINEHAN: How much was the bond?

JOE LORENZ: \$48 million?

LINEHAN: OK. All right. Thank you. That's helpful. Any other questions from the committee? Seeing none, thank you for being here.

JOE LORENZ: Thank you.

LINEHAN: Are there other opponents? How many others are here to testify, opponents? OK, if you're going to testify, guys, come up front, or I'm not going to see you.

KATHY HIRSCHMAN: Kathy Hirschman, K-a-t-h-y H-i-r-s-c-h-m-a-n It wasn't my intent to testify today, but after hearing-- so, I am actually from a farming and ranching family in central Nebraska. I mean, our plan is our daughters will take over the ranch someday. You know, there are tools that can be used to help with the inheritance tax in instances. But-- and I'm a county commissioner, been a county commissioner for 13 years now. And I have to say, one of-- I guess I feel like one of our county's greatest accomplishments, we have the same tax asking dollars for nine straight years. It was only until the last two years as-- after Covid, we raised our tax asking by \$40,000 and \$45,000, respectively. It's hard to compete with the private industry these days. As we speak, we have a county sheriff resigning to take a job with private industry. Our inheritance funds, aren't part of our budgets, but we do use them. We have a 100-year-old courthouse we've recently-- and it's a historical site. We've recently spent \$250,000 on front steps for it. So there are-- we have no jails, we have no prisoner reimbursements, no keno, no casinos, no sales tax. Our visitors fund brings in about \$10,000 a year. What we've collected

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in inheritance fund the last two years has averaged just a little over \$325,000. Before that, before the new exemptions were put in place, it was about \$600,000 a year. And so, yes, we have gotten used to adjusting things. As far as Senator Li-- Lim-- Liman--

LINEHAN: Linehan.

KATHY HIRSCHMAN: Sorry.

LINEHAN: That's OK.

KATHY HIRSCHMAN: I questioned--

LINEHAN: The one and only Linehan.

KATHY HIRSCHMAN: You know, what services does somebody offer that has ground? Well, somebody rents that ground even if they live somewhere else. Somebody rents that ground. Those people are using the services to use that ground or the roads. Whoever owns that ground utilizes the county assessor for valuation purposes, county treasurer to send out tax statements. So even though they don't live here, they still do receive some of the services. And yes, I don't know what the answer is as far as the inheritance tax. We would have to raise our taxes 14%, property taxes. But you know, the inheritance tax, I feel like, is paying a small amount. As Senator Murman said, it might be well worth it. So.

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

MEYER: I, I just have one, and I, I want to thank you, Kathy, for coming down. She's my county, county commissioner, does a very, very, very good job. And they're very frugal with their spending. So I just want to go on record for thanking her to come down to testify. And it's a-- it's a difficult issue.

KATHY HIRSCHMAN: Yes it is.

MEYER: So thank you for coming.

KATHY HIRSCHMAN: Thanks, Fred.

LINEHAN: Thank you.

KATHY HIRSCHMAN: Senator Meyer.

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MEYER: Fred.

MURMAN: What county?

LINEHAN: What county?

MURMAN: What county?

MEYER: Howard County.

MURMAN: Thank you.

LINEHAN: Hello.

JOE KOHOUT: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. My name is Joe Kohout, J-o-e K-o-h-o-u-t, and I'm appearing before the committee today in my capacity as registered lobbyist on behalf of the Lancaster County Board of Commissioners. I am here to testify on behalf of the board in opposition, but let me apologize that a commissioner's not here. The board is in their mid-- mid-year budget review. And so thus were not able to come to the hearing today, so, they apologize that they are not here. The Lancaster County Board strongly opposes any action to repeal the inheritance tax without a counterbalancing revenue replacement measure. County governments like Lancaster County are facing tough times. With continued inflationary pressures that are dramatically increasing the cost of goods, services and wages across the board, county budgets are tight. As you know, property tax is the county's primary source of revenue to meet the needs of citizens. At the same time, the Lancaster County Board has demonstrated a commitment to keeping property taxes within the allowable growth provisions of LB644, and this committee is doing incredible work this session to provide significant property tax relief to all of Nebraska's citizens. Alternative sources of revenue, like the inheritance tax, are important because they allow the county to best meet the increased demand for services in a growing community without increasing property taxes. Inheritance tax revenue varies greatly across the state and across counties, and it also varies greatly from year to year within the county. Lancaster County budgets an estimated \$7.5 million per year, but actual receipts have varied over the last five, from \$5.1 million to \$10.3 million. Lancaster County utilizes these funds 100% for property tax relief each year. With the county's valuation, \$0.01 in levy authority brings in \$4.1 million. Without replacing the bud-- budgeted revenue without any replacement funding would require an almost \$.02 Property tax increase

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to just to retain an equal amount of budgeted funding for the critical public safety and infrastructure needs. The county applauds the Legislature's leadership in reducing the overall tax burden on Nebraska citizens, and appreciates the opportunity to discuss the continued vitality of the inheritance tax. The committee is presented with a historic opportunity to accomplish the-- a host of advanced advantageous policy outcomes this session, and therefore the county would urge this committee to advance LB1067 only with amendments that ensure that Lancaster County can continue to provide significant property tax relief to their constituents. I'll try to answer any questions that you might have.

LINEHAN: Thank you. Are there any questions from the committee? I have one. What was-- did Lancaster County's property tax taking go up between '23 and '24?

JOE KOHOUT: That's a great question and I'd be happy to get that answer back to you. I don't know the answer on the top of my mind.

LINEHAN: Well, I'd like to see the last ten years.

JOE KOHOUT: OK.

LINEHAN: Any other questions? Thank you very much.

JOE KOHOUT: Absolutely.

LINEHAN: Other opponents. Hello.

CRAIG BECK: Good afternoon, Chairwoman Linehan, members of the Revenue Committee. I'm Craig Beck, C-r-a-i-g B-e-c-k with OpenSky Policy Institute. Going to take a little bit of a different tone, I think, certainly opposed for many of the reasons that many of the counties have put forth today. You know, from OpenSky's perspective, eliminating this tax will eliminate a progressive part of Nebraska's tax code. The inheritance tax helps to create a fair tax code. Wealth has become increasingly concentrated at the top of the income distribution, and the inheritance tax is an effective way to access that wealth. Many of the largest estates have significant amounts of unrealized capital gains because-- and because capital gains on assets like real estate and stocks aren't taxed until they're realized, many are never subject to tax. The inheritance tax allows counties to tap those resources to pay for services that all residents rely on. And because those holding significant wealth are predominantly white, the inheritance tax also helps to address the racial wealth gap. White

households are four and a half times more likely to receive an inheritance from family members than black households, and those inheritances tend to be larger. Maintaining the inherited-- inheritance tax rather than eliminating it would continue to help address these disparities. The-- just really quickly, the idea that the inheritance tax drives large numbers of elderly people to leave the state or discourages them from moving here, is just not borne out in the literature. As most studies find, these taxes have a small effect on the residence decisions of a few wealthy people. And on the flip side of that, the revenue loss from eliminating the inheritance tax reduces the state's ability to make public investments, which produce economic growth and help to ensure that the economy works for everyone. And in fact, cuts in services relating-- resulting, excuse me, from the elimination of the inheritance tax could discourage both businesses and individuals from remaining or in or relocating to the state. Before I close here, just to address one point that you had made, Senator Linehan, on the exporting of the tax base. I admittedly have not done an extensive review of this yet and would plan to after this discussion, but from just a couple quick Google searches, it does appear that, people do-- that, that research does find that exporting the tax base is generally a good thing. Certainly, you know--

LINEHAN: It's a good thing for elected official.

CRAIG BECK: I, I would agree with that. And, you know, but beyond that, you know, if there is wealth or, you know, whatever we're talking about that's inherited here, there, there are services that those people will now receive, so, with that, I'll close.

LINEHAN: Are there questions from the committee?

CRAIG BECK: Yes.

LINEHAN: You're popular. Senator Kauth, then Senator von Gillern.

KAUTH: Thank you, Chair Linehan. So, Mr. Beck, I fundamentally disagree with everything you just said. Sorry. You said access others' wealth to make things equitable? That is socialism right there. And when you talk about the racial disparity, shouldn't we be encouraging people of all races to save and invest their money so that they can pass it on to their children? If we set it up and say, hey, guess what? If you save and invest your money, we're just going to take it because you don't deserve to pass it on to your children, I

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fundamentally disagree with that. So can you explain to me how that is, is not socialism?

CRAIG BECK: You know, Senator, certainly didn't mean to come across in any way that, you know, in, in any way of that fight. What, what I, what I will say is that, you know, there's been a significant amount of research done over the last while now. And there are certain--

KAUTH: What are we doing first, research by you. Because that matters when you're doing research--

CRAIG BECK: Absolutely.

KAUTH: --the point of view matters.

CRAIG BECK: Sure. Absolutely. You know, I can get you a list of whom I'm citing.

KAUTH: That's great.

CRAIG BECK: I, I don't, admittedly, have all of them off the top of my head. But, you know, I think the point that we are trying to make is, you know, there are disparities in this country that have existed for a very, very long time. And certainly, we-- we're not advocating for punishing anyone or anything of the like. However, we are simply saying that, that there is a significant transfer of wealth that occurs when people do, you know, pass on. And we believe that this is a good way to access that wealth.

KAUTH: So, so you believe that when people have saved and invested their money and they pass on and they want to leave it, it's your money.

CRAIG BECK: Well--

KAUTH: And that-- I mean, that's what you just said. There's a significant amount of wealth that's available for you to take. I disagree with that. Thank you. That's that's all I have.

CRAIG BECK: Well, I mean. It's not me taking. I'll just say that.

KAUTH: Right, but [INAUDIBLE].

CRAIG BECK: I, I'm not an elected official.

LINEHAN: OK. OK. Senator von Gillern.

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von GILLERN: Everything that she said. Plus I, I'll use your term, fundamentally disagree with an, an additional statement, that is that people don't move out of state to avoid this tax and other taxes in the state of Nebraska, because I know that to be factually accurate. I, I don't know where you're getting your information, but it-- that is absolutely not factually accurate, because I know people that have done that and that is their, their-- now, granted, some of them might be living in places where the weather is better, but generally speaking, the driving factor is the tax climate here in Nebraska.

CRAIG BECK: So I would just say I didn't say nobody moves for taxes. I said generally it's on the margins.

von GILLERN: You said that there you had data that indicated that people did not move out of the state because of taxes.

CRAIG BECK: Well, Ok. Is not borne out by the literature, the large numbers of people leave the state is not borne out by the literature. I'm happy to send those studies to you. More than happy to.

von GILLERN: Thank you.

LINEHAN: Any other questions? I have one.

CRAIG BECK: OK.

LINEHAN: So if I am very, very wealthy and we have some very, very wealthy people in Nebraska, there are ways to get around inheritance tax, right, by setting up foundations.

CRAIG BECK: I, I mean, one of the testifiers earlier said that it was relatively difficult to get out of paying the inheritance tax.

LINEHAN: It is relatively difficult. But one way is to set up foundations, is it not?

CRAIG BECK: I'm not a tax lawyer. I don't do anything with that. I, I really don't know the answer to that question. I can get it for you, Senator.

LINEHAN: OK, well, maybe some lawyer here can help us with that.

CRAIG BECK: Yeah.

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LINEHAN: All right. Thank you, Mr. Beck. Are there other questions? Thank you for being here. Good afternoon.

NEIL MILLER: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Neil Miller, N-e-i-l M-i-l-l-e-r. I'm the Buffalo County sheriff, and I'm here testifying today on behalf of the Sheriffs Association. And we are opposed to LB1067. Thank you for allowing me to testify today. We understand that the inheritance tax is not pop-- a popular tax in Nebraska, and many believe that it should be abolished. Having said that, I would like to share just a few comments about what that particular, particular tax has done to improve and enhance public safety in Buffalo County. In 2020, Buffalo County embarked on a joint project to update and partner with both the City of Kearney, State of Nebraska, and a public safety joint radio system. The system was put into place due to an aging radio system that needed to be replaced, and included fire, EMS, and law enforcement. By joining the state radio system, we increased our ability to communicate with all public safety agencies Buffalo-- in Buffalo County and greatly improve the reliability and coverage of our outdated system. We used the inheritance tax to get this project started by putting \$1 million into purchasing towers, generators and shelters for the radio equipment. We feel that we could not have done this project without the funds that were used from the inheritance tax. If the inheritance tax goes away, we would ask that consideration be given to, to replacement funding, so when a large project for public safety comes up that we have a way to pay for it. We'd like to also thank Senator Clements for proposing funding to help with the cost of housing inmates. The current language, I think, says \$35, but there's an amendment to \$40. A recent overview of the inmate cost for Buffalo County came in at about \$59 per day. Since the cost of housing prisoners changes regularly, we would propose to tie the reimbursement cost, possibly, to the rate that the state of Nebraska charges the counties for safekeeping inmates, which is currently set at \$93 per day. That rate is adjusted as needed, and includes inflation. We'd also ask to have the reimbursement cap removed to prevent prorating due to lack of funds. We need to have a reliable funding source to be able to incorporate it into our budget. Again, I would like to thank you for the opportunity, to be able to speak to you today. We do appreciate that, and I will be happy to answer any questions that anyone has.

LINEHAN: Thank you very much. Are there any questions? I have one incent I should have asked the gentleman, Mr. Lorenz from Douglas County. If I recall, you said their reimbursement would only be--

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about to \$222,000, which seemed like way off of what I've heard when they said we weren't reimbursing them, so am I confused?

NEIL MILLER: No, I, I'm not sure that it-- I'm not sure that the revenue's there that maybe people think that might be there because of how it's worded with people who are convicted under state charges. I think if, if that's the vehicle to look at doing some reimbursement back to the counties for their holding the state inmates, then we need to maybe take a look at reviewing that. Years back, the county has got funding, and then it ran out of money and then eventually it was gone, and so it was not a reliable source of funding for the counties. It was there, reduced, and then gone. So, the-- I'm not sure what those numbers would look like to Buffalo County, but if you'd like, I will certainly put that together on the language.

LINEHAN: That, that would be helpful, I think, because it seems like since I've been here, I've heard that we were really, like, letting them down. And then here today, it's not that much money. I don't know which is what.

NEIL MILLER: Let, let me run the numbers based upon the current language and the current rate, and I can tell-- I'll get that back to you for a number.

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

MEYER: I have one. Thank you, Chairman Linehan. So, Nebraska is, is one of the states that has the highest number of political subdivisions in the nation. So-- and, and I'm not far from Buffalo County up in Saint Paul. So, in, in your professional opinion, how much consolidation could there be in Buffalo County with police services countywide? Could there be significant savings with other small towns in Buffalo County, as well as the city of Kearney? From what-- from where I sit, there's been no attempt, no attempt for any type of consolidation of law enforcement services between cities and counties, other than the really, really remote ones with really limited pop-- population. So is that a possibility that some services could be consolidated, on a countywide basis like Buffalo County? You guys are a prime example, right, right where you are.

NEIL MILLER: I, I welcome that question because, you know, we're co-located and we're very close partners with the city of Kearney. So back in 1993, Buffalo County and the city of Kearney joined together

to go under one roof, to share every bit of our office space that we had with each other. My office is right next door to the Chief of police. We share services. We have a contract between them in an interlocal agreement that prohibits duplication of support services. We cannot do that. So by that I simply mean that I do 911 for the Kearney Police Department and, and the Kearney Fire Department and all the other law enforcement higher agencies. If the city of Kearney says, well, we just really don't like the way you do that, we want to do it ourselves, it's prohibited. I have them doing my records. They have them doing my evidence. I have them doing my IT for the Buffalo County Sheriff's Office. And once again, we sit down and we work through those things because we do not duplicate any support service. We also share our building and all of our people to come up with specialized units like our SWAT team, our accident reconstruction team. The list goes on. Our, our crime-- our crime team, everything that we have is shared. And it's shared for that reason, is that we're trying to reduce the amount of duplication of services as much as we can. And I think-- I would say I think we're a model to that based upon how we've currently set ours up. The day is coming where the small town police officers won't to be able to exist anymore, simply because the cost, and the training requirements, and the inability to attract young people into this field is already very, very difficult. They-- there just is not the interest that there used to be. And so, with that, you're going to see things that-- it'll go where we currently contract with about five communities in Buffalo County for their law enforcement services. A couple have police departments. We back them up, we're like their second or third officer, so that we can make sure to provide law enforcement services to our communities and to the people of Buffalo County.

MEYER: Well, thank you for that answer, I appreciate that.

NEIL MILLER: Thank you.

LINEHAN: Thank you, Senator Meyer. Senator von Gillern.

von GILLERN: That's a great story. Thank you for sharing that. I think that's a model for other counties that, to, to to continue to, to model after. So thank you for sharing that. I did not realize that your facilities were shared in the way that they were. And that leads me to ask you to share our condolences and our gratitude to the Kearney police officer that was injured in the line of duty this week.

NEIL MILLER: I'll be happy to do that. Thank you.

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von GILLERN: Thank you.

NEIL MILLER: His boss, I think, is going to be testifying before you in just a little bit on another bill, so you'd have an opportunity as well. Thank you.

von GILLERN: Thank you. Appreciate it.

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

NEIL MILLER: Thank you.

LINEHAN: Thank you.

Speaker 5: Thank you. Good afternoon. Chairman-- Chairwoman-- Sorry. Let me start over.

von GILLERN: First time?

JON CANNON: Well, I know how this is going to go. Chairwoman 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 is the Nebraska Association of County Officials. We represent all 93 county governments in Nebraska. I'm here in respectful opposition to LB1067. First, I want to thank Sheriff Miller for having testified before me. He's a difficult act to follow. I'll see what I can do. Again, thanks to Senator Clements for bringing this issue up. This is an issue that we've been talking about for a long, long time. The handout that I'm passing out to you, all of you, you received last year when we had the testimony on LR23CA. However, Senator Meyer, you weren't here, so I got to print ten copies just so you could have your very own. Anyway, I'll, I'll get to the poll in a little bit. I think the poll actually speaks for itself. You know, this is of a piece of the overall tax structure, to your point, Senator Albrecht, what we were discussing earlier. This is the overall tax structure in Nebraska, what that looks like. And this is fundamentally, how are we-- how do we want to fund county government? How do we want to fund all levels of government? And, and what part does this tax or any other tax pay-- play in that. You've, you've heard all the testimony before me, about, you know, what services are funded through the inheritance tax, what sorts of things counties are able to do, the flexibility that they have in an emergency situations. And I don't think I need to retreat that ground. To your point, Senator Linehan, about the number of people that are from out of state that pay the inheritance tax. I do

agree with Mr. Beck from OpenSky. You know that, that exporting the tax base is, is-- you know, to the extent that you can have people that don't live here paying our, our taxes for us, that's one of the best taxes there is. You know, when, when you look at all the policy literature, that's, that's fundamentally one of the things that, that goes on. I, I may have spurred a question that I may regret, so we'll-- I'll just move along. The, the poll that, that I, I'm handing, handing out to all of you, we commissioned this poll in December of 2022, understanding that we probably were going to have a conversation about the inheritance tax. And I, I think that you'll find-- when you ask someone in the abstract, do you like a tax? People are going to say no every single time. We asked them, do you like the sales tax? They said no. Do you-- do you like the income tax? They said, no. Do you like the property tax? They really said no. But when you break it down into terms of here are the things that happen, it buys down the property tax. So would you be in favor of property taxes going up and getting rid of the inheritance tax, people said, overwhelmingly they said, no, don't do it. We said if we kept property taxes the same, but you had to lose some services as a result, if there was a reduction in services, would you be in favor of that? Overwhelmingly, Nebraskans said no. I think that's pretty important information to have. I'm glad that the Platte Institute testified before me-- I'm out of time. I'll stop right there.

LINEHAN: You can thank people. Were you going to thank people? you can do that. I'll let you do that on your red light.

JON CANNON: Well, thank you, ma'am. I'd like to thank Platte Institute for having spoken up. They were here testifying on LB310 a few years ago, the last time that Senator Clements brought a bill before this committee. And one of the things that I appreciate them having said back in 2020, if I recall correctly, is they said that if you eliminate the inheritance tax, you have to have replacement revenue. So I appreciate that they're here. Farm Bureau was also in support, and but they also said we have to have replacement revenue. So I just appreciate the-- even the supporters recognizing that if that's the route we go, that's what we have to do. So, happy to work with the committee on how we do that.

LINEHAN: OK. Any questions from the committee? Senator Kauth?

KAUTH: Thank you, Chair Linehan, I have one question on-- I don't see page numbers on the, the handout you just gave us, but it's taught that three in five Nebraska voters say the inheritance tax is

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acceptable after hearing the details about it. Down here, it says that, kind of the breakdown of what gets paid, inheritances is left to nonprofit charities pay no tax. So, so we're not only exempting them from paying taxes, we're also giving them the tax money that we take from inheritances?

JON CANNON: I need to work that out.

KAUTH: OK.

JON CANNON: First [INAUDIBLE].

KAUTH: I'm just-- I'm just-- the things that are exempted from paying tax are nonprofits who seem to be also, from all the testimony that people have said, is well, we do so much good with the money. You know, kind of my question is, do the ends justify the means? And shouldn't nonprofits be being taxed on an inheritance that's left to them?

JON CANNON: I have never considered that question, ma'am, in my whole life. I, I--

KAUTH: We can talk later.

JON CANNON: I've got to think through that. I'm, I'm sure a number of people are going to be, my, you're saying you-- do not ever give an inch on this, so. I, I will note that, that NACO is a nonprofit, and we pay our property taxes, and, I, I don't know that we're receiving any bequests from anyway. So if anyone in the audience like to-- Senator Murman, to go along with your line, if anyone in the audience would like to leave anything to NACO, we're, we're all in favor of it.

LINEHAN: Thank you.

JON CANNON: Thank you, ma'am.

LINEHAN: Thank you, Senator Kauth. Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. Just because you're such a good. For it to come up here after I just said what I said a while ago. So this, this survey is 500 people.

JON CANNON: Yes, ma'am.

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ALBRECHT: Surveys are as good as those that, you know, who you request an answer from. Were they farmers, were they just out of the county, you know, because we're talking about county inheritance tax. What was the demographics of those there? Do you have any idea?

JON CANNON: The demographics, I believe, were at the end of that poll, ma'am. My recollection is that we wanted to make sure that it was as-- it closely mirrored as possible the demographics in Nebraska.

ALBRECHT: OK. So this was an out of state group?

JON CANNON: Yes, ma'am.

ALBRECHT: And you, and you polled it based on if they were a Republican, Democrat or independent?

JON CANNON: We were-- we were asking them to gather that data as part of the poll, yes, ma'am, to make sure that our-- that, that the polling reflected the population of Nebraska.

ALBRECHT: OK. So, there's not a page number on this one either, but it says Nebraska voters want the state Legislature to focus on eliminating or drastically reducing property taxes or state income taxes. Just 12% point to the inheritance tax. But 53% point to property taxes.

JON CANNON: Yes, ma'am.

ALBRECHT: State income taxes 21%, inheritance tax 12%, sales tax 12%. So wouldn't you agree that that's what we're trying to do is to look to see what's the most important thing? And so if, if we're looking at the inheritance tax that people are wanting to, to find out what are we going to substitute it with. What were some of your feelings on what we could substitute it with?

JON CANNON: Sure. I appreciate the question, ma'am. You know, there are-- there are a number of things that we could do. One, I would urge the committee to look at some of the things that we have in front of the Legislature already. I believe Senator Blood has LR1CA, which was introduced last year.

ALBRECHT: Which was--

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JON CANNON: And that would be on unfunded mandates. And I will-- I will tell you this right now, Senator, if, if LR1CA was on the ballot and passed, we would give up the inheritance tax in a heartbeat.

ALBRECHT: OK. OK. So thank you for saying that.

JON CANNON: Yes, ma'am.

ALBRECHT: Ok, so if we put to task your, your NACO commission and, and the NACO that-- all of the different commissioners, or supervisors, or whatever they call themselves today, to task them to, to find those mandates, help us.

JON CANNON: Yes, ma'am.

ALBRECHT: Help us to find the mandates that somebody else has put on them. Maybe not one of us put that mandate on them, but it's no different than an exemption. And we've had exemptions for years and years and years, and some of them are not very popular with this committee. But if there's unfunded mandates, whether it's on a school, a city, a county, if they're out there, let's, let's look at them.

JON CANNON: Yes, ma'am. And I'm glad you mentioned that, because we did look at them, I believe it was in 2014 that Senator Crawford had a study done. We helped with that. NACO helped with that. And we, we listed a whole number of unfunded mandates, we really went through them.

ALBRECHT: I'll bet you can just go get that list, and we'll start on it, we'll take a look at it yet this year.

JON CANNON: Yes, ma'am, appreciate it.

OK. So what other-- what other areas?

JON CANNON: You know, we've, we've talked about the sales tax. There-- we have in, in Lincoln. I know, because I pay it, we have the arena tax that we pay, and essentially we said, well, you know, here's an economic zone. And within that economic zone, you get to pay an extra \$0.02 on, on, whatever bill that you have there. You know, if you did something like that, and again, this goes back to the exporting of the tax base and I, I'm going to draw another question.

LINEHAN: We're going to get everybody involved, everybody's going to figure this deal out.

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JON CANNON: But if you had something-- if you created an economic zone around Interstate 80, within a quarter mile, either way, off of I-80, you know, and add a 2% surcharge at any retail sale, including gas and lodging, boy oh boy, I think that would probably be something that would, would probably raise a lot of revenue for the state of Nebraska-- not just to replace the inheritance tax, but--

ALBRECHT: That's a great one. That's a great one. Any others that you guys maybe have talked about when you have your conventions? Surely there's more.

JON CANNON: We talk about all sorts of things, ma'am, I--

ALBRECHT: I know, but I'm just saying, what, what, what do we need? What-- if we have to replace inheritance tax to be fair with everybody, what, what is it? And, you know, a lot of people drive across I-80. That's an excellent idea.

JON CANNON: Thank you.

ALBRECHT: It truly is in my eyes.

JON CANNON: Thank you.

ALBRECHT: I mean, that's a no brainer. You know, we're, we're entertaining all these people. Our law enforcement is taking care of them on the interstate when they have to go to a, an accident or, you know, there's problems on the interstate, all of our counties, you know, go up to those calls. So there's a lot that we can do together. That's all I'm asking, because it's tough to sit through all these committee hearings and hear what we hear. And, you know, sometimes I think, well, here we go, you know, somebody doesn't like anything, so they're going to fill up the room. But I enjoy when we interact with what way can we figure this out. You know right away, you know you got to cut spending. I sat on a city council for eight years, a county board for four. I mean, they weren't really fond of me on the county level, I would just say the last three people you just hired, you're going to have to go tell them that we're gonna have to ask you to leave because we don't have enough money.

JON CANNON: Yes, ma'am, I understand.

ALBRECHT: They sure found the money.

JON CANNON: They do.

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ALBRECHT: So that's why I'm saying is, is we need to work together to figure out what we're going to do if we're going to take care of this inheritance tax. So thank you.

JON CANNON: Yes, ma'am.

LINEHAN: Thank you, Senator Albrecht.

JON CANNON: And as part of the intergovernmental partnership, we are willing and glad partners.

ALBRECHT: Thank you.

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

LINEHAN: Senator Meyer.

MEYER: Thank you, Chairman Linehan. You know, we, we see polls that say all kinds of things. Some of them you can clearly tell by the way they're structured what they want to say. But there's one page here that just jumped out at me. I'm just quote this, younger men are more likely to find the inheritance tax acceptable, while older men are the least likely. Now was that a profound statement?

JON CANNON: Not particularly, sir, no.

MEYER: When, when you were 30, was anybody thinking about inheritance tax? Of course not. So I was--

I didn't even know what NACO was.

MEYER: So my point being, most polls are geared to say what whoever is commissioning the poll want them to say. If you are going, going to, you know, interview people who are closer to the age of paying that inheritance tax, they may not agree with this. So, thank you for the input on this. And you're a brave man for sitting here as long as you do and answering as many questions day after day as you do so.

JON CANNON: Well, sir, it's what we to you, so I appreciate it.

LINEHAN: Thank you, Senator Meyer. OK. Yes, you did. How do you square taxing somebody who has no vote or no input in the government that's taxing them?

JON CANNON: So people that come into our state, they do make use of our services.

LINEHAN: Well, I'm not fighting that one. The real-- the Interstate thing, I'm game on. I'm talking about the people who live in California that are going to enter-- that haven't, you know, come once or twice a year to visit, visit their parents, or that niece, and-- let's go with the niece, that comes a couple times a year to visit an aunt. She doesn't use the services. She's not going to use the services. Now when-- if she keeps the property, she will pay property taxes.

JON CANNON: Yes, ma'am. She will.

LINEHAN: And her aunt's been paying property taxes. So how do, how do we justify that we tax somebody that doesn't use any of the services in the county? Over to-- but, I mean, they've got they're paying the property taxes, obviously, but this is--

JON CANNON: Sure.

LINEHAN: --like a-- it's like an extra kind of poke, because they don't live here, they don't vote, and we can take their money.

JON CANNON: You know, ma'am, I'm, I'm not sure I'll, I'll have a, a particularly artful answer for that. But with a state of 77,000 square miles and 1.9 million people-- big state, not a large population. To the extent that we can export our, our property tax or, you know, export our tax base in any way, shape or form, I, I think we try to do that. And so, how do we justify that with someone that left the state, in all likelihood, and said, I'm, I'm going to California, which I can't imagine why someone would want to, but they do. You know, frankly, I don't have a problem taxing them. But, you know, are, are they not-- they're not using our services, you're absolutely right. And so if you equate a tax with--

LINEHAN: And they have no representation.

JON CANNON: Yes, ma'am.

LINEHAN: This is a pretty basic thing in America, that you don't get taxed unless you have representation.

JON CANNON: Yes, ma'am.

LINEHAN: It's like, in a document somewhere, that's kind of important.

JON CANNON: I've, I've heard that one before, too, ma'am.

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LINEHAN: Yeah.

JON CANNON: Yes, ma'am.

LINEHAN: Any other questions? Thank you.

JON CANNON: Thank you very much, ma'am.

LINEHAN: All right. Oh. Are there any other opponents? Anyone wanting to testify in the neutral position? Good afternoon.

MIKE FRIEND: Chairwoman Linehan, nice to see you. Members of the Revenue Committee, nice to see you all again. Some of you-- I haven't, haven't met all of you. My name is Mike Friend, M-i-k-e F-r-i-e-n-d. I'm here in the neutral capacity. I told my wife I was doing this today, and she said, neutral. You haven't been neutral on anything in your whole life. I am here in a neutral capacity. First off, I want to thank you all for the service, service in the Legislature. I know it's time consuming. And I also know, sometimes it's thankless. My perspective is pretty unique, and it's conflicted. I'm a former state senator. Currently, I'm a, a county commissioner in Douglas County. I represent northern Douglas County, from the Missouri River all the way out to Valley. From a tax policy perspective, I cannot and will not defend the taxation, the taxation of dollars that have already been subject to tax. Won't do it. What makes-- the interesting part about it is what makes Nebraska unique, is for years and years and years on the-- at the county level, counties have budgeted with this money. I'm neutral because I don't like the tax. As a matter of fact, the county board voted to oppose-- the Douglas County Board voted to oppose this legislation. I was one of the people that didn't vote to oppose it. I said, no, if I were sitting in the Legislature, I'd have a pretty interesting take on this, and I'd be speaking ad nauseum about it. I won't do that today. What I can tell you is, I appreciate that the counties are a creature of the state. We don't make law. We have one-- we have one ability to actually affect tax policy, and that is property tax. We don't have any other venue. We get 13-- at the county level, we get 13% of the property tax revenue. The, the schools take about 55 to 60%. The city of Omaha gets, I think, gets about 20%. We get 13%. I'm glad Senator Clements had mentioned that he's looking at, you know, different ideas in regard to, to replacement cost, because we depend on that revenue and I'll tell you why. Here's what, here's what I've heard this whole time, and note-- or at least what I haven't heard this whole time, when I've been sitting in this room. Douglas County has 56 mandated services. I'm going to run out of time. Douglas

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County has 56 mandated services. We have 22 nonmandated services. Of all of those services-- of all of those services, 14 of them are-- both mandated and nonmandated, are being subsidized by reimbursement from the state or the feds, for the most part, partially. Of those 56 mandated services, I have statutes for every one of them. We are a creature. You guys tell us whether we can exist or not exist. I'm OK with that. And now I'm done. Do whatever you gotta do, but thank you for the time, Madam Chair.

LINEHAN: Thank you, former State Senator Mike Friend.

MIKE FRIEND: You're welcome.

ALBRECHT: May I?

LINEHAN: Yes, Senator Albrecht.

ALBRECHT: Would you please continue?

LINEHAN: For a little bit.

ALBRECHT: For just a little bit, just a little bit. We'll shush you [INAUDIBLE].

MIKE FRIEND: You want to ask everybody's permission? I, I-- thank you, Senator Albrecht. Let me finish my thought process, and I won't be long. Fifty-six mandated services. Twenty-two nonmandated services, Fourteen of those services, both mandated and nonmandated, are being subsidized by either the state or the feds. Of those 56 services, I, I don't want to repeat myself, there's a statute that says we have to do it-- county attorney, sheriff's department, public defender, corrections. In 2015, LB605 essentially-- good bill-- essentially strengthened, you know, the Criminal Code. Our numbers in Douglas County skyrocketed. On any given day, we have 1,200 people in our corrections facility. Now, getting rid of the inheritance tax-- here's something that nobody has said either. I, I would not-- you get rid of the inheritance tax, we're not going to property tax. Over-- I, I will fight property tax increases over my cold, dead political body, and that could happen-- will I allow for, for, for a levy lid increase. But what ends up having to happen when we take mandated, mandated services and we have money that we've depended on, we will go to the nonmandated services and we will cut, or we will look for the type of consolidation that Senator Meyer had pointed out. We have to. That's what we'll do. When we do that, the elephant in the room is we have a facility at 42nd and Woolworth that's extremely valuable. It is a

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long-term care center. There's at least 225 people in that facility. I don't know what would happen to them if we didn't have it. Now the state helps us with that. You provide a subsidy. But that's probably a \$10 or \$12 million price tag for us. And as Mr. Lorenz pointed out, a good portion of that comes from inheritance tax. All I'm saying is, I want to make sure that when we offer those services and people want them, we have options available to us. That's all. What, what this bill will do is take away some options. We're going to have to think of more creative options to actually deal with this subject matter. So, if I was sitting next to Senator von Gillern, we-- all you guys, we would be-- and by the way, I used to sit right there. It would be interesting, but we do have a little bit of a problem here. That's, that's-- thank you for the extra time.

ALBRECHT: Thank you. Very much appreciate that.

LINEHAN: Thank you. Thank you, Senator Albrecht. Any other questions? Senator von Gillern.

von GILLERN: I'll be very quick. Thank you. You are my county commissioner, and thank you for being the, the hawk on the, on the-- at least a hawk on that board. You're the first one to mention, and this was an arrow I was holding in my quiver till the close, you're the first one to mention that these are already taxed dollars. Sometimes, these dollars have been taxed 2, 3, 4 times. They've been taxed in income tax. They've been taxed-- it might have been capital gains tax, it might have been-- come through property ta-- they might have been a resale of property and they've been property taxed numerous times. So tax on tax on tax on tax, and that is probably the most inappropriate thing we can do. So thank you for bringing that to everyone's attention, acknowledging that.

MIKE FRIEND: You're welcome.

LINEHAN: Thank you, Senator von Gillern. Any other questions from the committee? Thank you very much for being here. [INAUDIBLE].

MIKE FRIEND: Thanks for the time.

LINEHAN: Any other people wanting to testify in the neutral position?

JOHN HANSEN: Madam Chairman, members of the committee, good afternoon. For the record, my name is John Hansen, J-o-h-n Hansen, H-a-n-s-e-n. I am the president of Nebraska Farmers Union. The fact that I'm sitting before you today, based on my organization's policy on this issue, in

a neutral capacity, represents the conflicted nature of the tradeoffs that are involved here, because our number one pri-- priority, excuse me, is property tax relief. And yet, from a practical standpoint, we know good and well, that from a practical and logistical standpoint, when counties are strapped as they are, with the, with the obligations that they have, that if you take a pool of money of this size away from them, that, at the end of the day, because it's the only place they have to go the upward pressure is going to be to replace at least a portion of that lost revenue with property taxes. So it is a tradeoff. So I appreciate the testimony that we've heard today. It's similar to the testimony that I've heard on this issue many times, down through the years. And I've been asked many times, well, why is it that your farm organization basically has been in support of a death tax? And that has put us in, in conflict with our good friends, the Farm Bureau, who've taken a different approach. And we understand why. But both at the national level and the state level, from an ag perspective, some of the issues that come out is that there is a difference of interest between folks that are small and medium-sized operators and folks that are large. So if you look at my section, home section, you can see a lot of what's going on here. And when I graduated from the eighth grade, there was a new consolidated district, with 5 different districts, and they came together, and there were 77 kids. When we closed it down, there were 5. So when you look at the total number of farm families, all the ones who were there then are there now, there's just a lot of them gone. And so the big farmers keep buying up more and more of the farmland. And so, there's a lot of folks who say, these guys are already inheriting a whole pile of land and getting bigger and bigger and bigger. And so, the least you can do is at least try to help take part of the benefit of the services that were provided to that farm. And, and so, from-- the debate within our organization, which is divided, it comes down on the side of saying, well, there is a justification for this. And that's an issue that hasn't come up in the discussion today, but there is that view.

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

JOHN HANSON: Thank you.

LINEHAN: Are there any others wanting to testify in the neutral position? Senator Clements, would you like to close? And yes, we have letters. We have 7 proponents, 30 opponents, and 2 neutral. Good afternoon.

CLEMENTS: Thank you. Thank you, Chairman Linehan. I had a-- just a few comments, in listening to the testimony. And I do have one example of a person moving out of state. A banker friend of mine from northeast Nebraska has-- had been a banker for 50 years. He supported my bill in 2022, because he has no children. And he said, got no children. I got a house in South Dakota, a house in Florida, and the county is not getting 13% of my bank when I die. Well, he emailed me a couple weeks ago, said, I'm writing to you from Florida, and I'm now in Florida. I'll be sending a letter in on the bill. But a, a 15% tax on his bank value would be hard for heirs to maintain that business in a small town that needs the business. So we did reduce the rates some in 2022, but that wasn't enough to keep him here. And, he's now spending sales tax in Florida and not, not spending income tax here or sales tax. Also, estate planners have told me they advise moving out of the state, especially if you have no children, especially estate planners like in my county, in Plattsmouth, which is right on the Iowa border, they can just move across the river. Regarding Senator Clinton's foundation question, yes, charitable gifts are deducted before inheritance taxes are applied. So if a person of means gives a lot of it to a foun-- charity, then it's not going to have an inheritance tax. In a general comment, 45 states have figured out how to get by without this tax, and I believe it's possible to do that in Nebraska. Regarding replacing revenue, they would take at least \$70 million a year, of the state dollars to, to replace county inheritance taxes. Our state budget doesn't support that unless you would raise another tax here. And so-- and the amount varies so much county by county. I've-- I have been-- I did try to brainstorm a way to replace the revenue without a direct payment from the state. And it's hard to know how much to give each county because it varies so much. So I wasn't able to find a easy solution for the revenue replacement. And that's all I had; would answer any more questions.

LINEHAN: Thank you, Senator Clements. Are there any questions from the committee? I have one. And I haven't looked at it, but-- and I don't know how [INAUDIBLE] noticed, but have you looked, at all, at Senator Wayne's bill, that just says the state should take over all jails?

CLEMENTS: No. I haven't seen that.

LINEHAN: Well, it is one of the things we keep hearing from the counties, about how-- and, and the reason I bring it up is-- not today, but other testimony has been so we have the state prison problem, so we had to raise the salaries there. But then we turn around, all the county and cities are now raising the salaries. So we

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have this circle of salary raising going on, because we're not working together. So, I don't know.

CLEMENTS: Well, I was, I was surprised when I found out that we quit paying for state prisoners in county jails. And other commissioners-- county commissioners have told me they didn't think that was fair. That's why I wanted-- thought that was one that has been taken away from counties that we should restore.

LINEHAN: Yeah. OK. With that, unless somebody else has questions, we'll close the hearing on LB1067. Thank you very much.

CLEMENTS: Thank you.

LINEHAN: With that we'll open the hearing on-- did you--

von GILLERN: LB1182.

LINEHAN: --did you give him a heads up?

von GILLERN: Didn't have time.

LINEHAN: I'm looking at it. Hard questions. Hard questions. Oh, this is this one. OK. Good afternoon, Senator Bostar. We'll start the hearing on LB1182.

BOSTAR: Good afternoon, Chair Linehan and fellow members of the Revenue Committee. I thought that there was no possible way I would be available to open on this bill, since I had to do a bill on behalf of the Governor in the Government Committee earlier, and that one was very involved. But somehow, I made it. And I, I don't want to take a lot of time. So I am going to try to just be brief on this. Because not only have we heard previous EITC bills in the past, we even have one already be-- before the committee. This one was introduced-- doubles the EITC. Really simple reason. We're having a lot of conversations and spending a lot of time thinking about and talking about raising sales taxes. And sales taxes make up a larger share of the tax liability of lower-income people. Just a reality. This would help offset that. Happy to answer any questions.

LINEHAN: Any questions from the committee? OK. Senator Bostar.

BOSTAR: Yes, ma'am.

LINEHAN: When we don't pay, we don't pay sales taxes on rent, do we?

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BOSTAR: No.

LINEHAN: Or housing?

BOSTAR: No.

LINEHAN: Or groceries?

BOSTAR: No.

LINEHAN: Or gas?

BOSTAR: Correct.

LINEHAN: Pay taxes, but not sales taxes.

BOSTAR: Correct.

LINEHAN: Car repairs.

BOSTAR: Sure.

LINEHAN: So it escapes me how we think a low-income family pays more in sales taxes when most of what they can afford-- they don't have any money left to buy things that are-- I mean, they've got to buy clothes, right? But they're not going to be buying clothes at Von Maur.

BOSTAR: I mean, the reality is I think is, you know, income tax liabilities for lower-income Nebraskans is very low.

LINEHAN: Yes.

BOSTAR: While it may not be a large amount of taxes that are paid via sales taxes, it still makes up a higher portion of the amount of taxes they're paying compared to myself, probably you, probably other members of the committee. And so that's, that's the nature of the regressivity.

LINEHAN: OK. Well, I'm, I'm going to not accept that it's that-- but let's-- so what would this-- what-- at what level of income does this kick in? Kick in or, I guess, where does it stop?

BOSTAR: So we're not-- we don't change any of that. What this bill does is it takes it from a 10% of the federal that, that the state

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would give, and makes it 20%. It doesn't change anything else. It's a 1-number bill.

LINEHAN: So is it-- I don't read as much as I should about what's going on at the federal level, but isn't there some effort at the federal level, right now, to increase the federal level?

BOSTAR: I, I think that's perpetually true, in, in some form, so probably.

LINEHAN: So is there a little bit of danger if we increase it from 10 to 20%, then the feds increase it, then we've got a bigger fiscal note than this?

BOSTAR: I suppose that's possible. It's possible now. I mean, we, we are at 10% now, but.

LINEHAN: So do we-- does-- I really am interested in what income levels this kicks in. Is it in the green copy?

BOSTAR: It's all related to the federal law. Right. So it's-- all of that is sitting in federal statute, not ours.

LINEHAN: OK. Well, I think it'd be helpful for the committee if we had a table that showed us how it works.

BOSTAR: I can get that. And potentially, I-- I don't know who's here to testify on this, but there might be someone who can kind of walk through all that. I just don't have that in front of me.

LINEHAN: That's OK. Senator Meyer.

MEYER: Yeah. Thank you, Chairman. I just-- one, one quick question, when I see the \$29 million. Do you think that's accurate? It seems awfully high to me that, that this 10 to 20% of the federal income tax that-- who would be affected by this, would be \$29 million? Doesn't that seem out of whack?

BOSTAR: My-- this seems to me like a fiscal note that would be easy to get right. So for that reason, I'm hesitant to question it. Because all we're doing is we're doubling basically the state EITC contribution. So if they're saying that's the fiscal note, that's probably what it is now. And they're probably just saying we would be adding another one of those on top. I, I would hope-- I hope that's how they did it. We'll see.

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LINEHAN: I would, I would say that's [INAUDIBLE]. They should have a-- thank you, Senator Meyer. They have actual numbers to work on this.

BOSTAR: Exactly.

LINEHAN: It's not a guess. Most of them are a guess, but this isn't.

MEYER: Still seems awfully high.

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

BOSTAR: Thank you.

LINEHAN: Proponents. Do we have proponents for LB1182?

CRAIG BECK: Good afternoon.

LINEHAN: Good afternoon.

CRAIG BECK: Chairwoman Linehan, members of the Revenue Committee, I'm Craig Beck, C-r-a-i-g B-e-c-k, with OpenSky Policy Institute, here to testify today in support. You know, I might just go to answer some of these questions, skip my testimony for right now. There's not-- the, the current federal legislation to-- it-- it's not related to the EITC. It's related to the child tax credit.

LINEHAN: OK.

CRAIG BECK: So, to your senator-- or to your question, Senator Meyer, I've got-- so in tax year 2020, which is, you know-- we do have data for tax year 2021, but there were some pandemic era changes to the federal EITC policy. So I just went with the year prior, that's not impacted, which is more, I think, more representative of what Nebraska experiences. So tax year 2020, more than 124,000 returns. And Nebraska claimed \$280 million, and federal EITC benefits were 10% of that. So 10% of 280 is 28. That's-- just to give you some context, that's 13% of all returns in the state in 2020, for an average credit of \$2,249, of which 90% of that was refunded. To your question, Senator Linehan. Certainly, there are guidelines as to how this credit is implemented. It's, it's earned income credit. So it starts at your first dollar of earned income. Like many benefits, it ramps up. It then, once you hit certain incomes, which I do have here if you're interested in, it plateaus. And then, once you hit a certain income, it starts to phase out. Again, the, the Nebraska EITC is simply just a percentage of the

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federal. So whatever taxpayers claim here in Nebraska of the federal EITC, they get 10% of that back. This would double that to 20%. Since I do have some time, we do have some modeling from the Institute on Taxation and Economic Policy, which shows that this bill, LB1182, would provide benefits to over 310,000 Nebraskans, including more than 102,000 in the lowest income group. Additionally, almost half of all children in that lowest income quintile, which is nearly 25,000 kids, would benefit. Technical note: we would-- so this bill, the implementation would begin tax year 2025. As Senator Bostar said, this could help to offset some of the sales tax increase that's being proposed. One thing that I would offer is that because the credit begins-- OK.

LINEHAN: That's OK. Go ahead.

CRAIG BECK: So because the, the credit would begin for tax year 2025, they wouldn't-- those families would not be claiming it until their 2025 return in '26. So the sales tax increase, at least as written in LB1315, would take effect October 1, 2024. So we would, you know, respectfully suggest bumping the EITC increase up, if you do consider it, to begin tax year 2024, which we know will add cost, but there is significant, you know, research showing that there is a good return on investment for the state.

LINEHAN: Thank you. I'm going to-- I'm going to ask you a couple more questions, but does anybody else have questions? 310,000 Nebraskans. That's people, not filers, right?

CRAIG BECK: That is people. Correct.

LINEHAN: OK. So it starts at your first dollar. When does it say, OK, you're off?

CRAIG BECK: So it depends on a couple of factors. First is whether you are married or single filers. The phase-outs are a little--

LINEHAN: Right.

CRAIG BECK: --different. And, and let me make sure the ramp-ups are the same. Yes. The ramp-ups are the same for single and married. And then it depends on the number of kids that you have. So there's 4 categor-- 3-- 4 categories: 0 kids, 1 kid, 2 kids, 3 or more.

LINEHAN: Let's just go with 2 kids.

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CRAIG BECK: OK.

LINEHAN: OK.

CRAIG BECK: So the full credit for a single person with 2 kids-- first of all, I'll give you that credit amount at the federal level. It's \$6,604. That-- the full credit kicks in at \$16,510 of earned income. I would also--

LINEHAN: I'm sorry. How much? 16?

CRAIG BECK: \$16,510. Yes. And I should note these are for tax year 2023, so they'll be adjusted up for '24. And then, as I said, it, it ramps up, and then it plateaus. It plateaus from \$16,510 to \$21,560 of earned income, and then it begins to phase out. For that single person with 2 kids, the income where the credit equals zero is \$52,918. And the, the maximum if-- I don't know if it's helpful for you, but for-- the maximum would be a married filing jointly taxpayer with 3 or more kids, the maximum income that qualifies for the federal credit is \$63,398.

LINEHAN: OK. I would really appreciate it if you could provide those--

CRAIG BECK: Yeah. Absolutely.

LINEHAN: --that information to the committee. Senator Kauth.

KAUTH: Thank you, Chair Linehan. I have a question about when you're calculating the income. Are things like food stamps, affordable housing credits or any sort of aid, is that part of that calculation, because if they're already getting stuff from the state, does that boost their income up or is that just disregarded?

CRAIG BECK: I'm hopeful that there's someone behind me who can answer this better than I can.

KAUTH: That's fine.

CRAIG BECK: My understanding is that it's start-- it's federal adjusted gross, is where it starts. And then, so any state benefits, I, I don't--

KAUTH: OK.

CRAIG BECK: --believe would be factored in there. Yeah.

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LINEHAN: Thank you, Senator Kauth. Any other questions from the committee? Thank you very much.

CRAIG BECK: Thank you.

LINEHAN: Other proponents? Are there any other proponents? OK. If you're going to testify in this hearing, please move to the front guys. We're going to be here till 9:00 tonight.

DIANE AMDOR: Hello. Good afternoon, not evening yet, Chairperson Linehan, members of Revenue Committee. My name is Diane Amdor, D-i-a-n-e A-m-d-o-r. I'm a staff attorney for the Economic Justice Program at Nebraska Appleseed. Nebraska Appleseed supports LB1182 for the same reasons that we have supported similar iterations of this bill in the past. State level earned income tax credits or EITCs build on the success of the federal EITC by helping families afford the basics, reducing poverty, and helping families thrive in the long run, through improved child and maternal health, school achievement, and other benefits. Because people of color, women, and immigrants are overrepresented in low-wage work, state tax credits are an important tool for advancing equity. In recent years, 14 states and territories have created or expanded their, their earned income tax credits. Our neighbors, Colorado and Missouri, enacted such measures in 2021. My written testimony has a little bit more detail on the other states that have made changes or enacted these in recent years. At the current rate of 10%, Nebraska has one of the least generous earned income tax credits in the country. This-- doubling it would bring us up kind of closer to the middle of the pack, and there would be 13 states that would have a lower EITC than us at that point. Seventeen states and D.C. would be higher. At the end of the day, Nebraskans who work hard should be able to get ahead. And unfortunately, many in our state face poverty despite working hard. The earned income tax credit is a powerful tool to help address these realities. It prevents poverty and helps working families make ends meet. For these reasons, we urge the committee to advance LB1182. To address your question earlier, Senator Linehan. On that first footnote there, Figure 6, that's included if you go to that link, has an interactive chart, that you can adjust whether it's a single filer or married filing jointly, etcetera-- how many children they have. And the earned income tax credit primarily benefits people with earned income who have children. There's a small amount of the credit that's available for workers without children, but it primarily benefits people who have a household with more than 1. And so, you can adjust it and see those phase-in and phase-out dates, or dollar amounts for a variety of

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households. I'm a sucker for an interactive chart. So I gotta, I gotta plug that. And to your question earlier, Senator Kauth. It is literally an earned income tax credit. So it, it only gives the credit for the amount of income that is earned. That's why it has that phase-in and phase-out.

KAUTH: Thank you.

DIANE AMDOR: Happy to answer any questions if I can.

LINEHAN: Thank you. Are there any questions from the committee? I don't understand the math here or maybe I'm missing something. So we would be-- there would be 13 states who would have a lower EITC, and 17 states and the District of Columbia would be higher. So are there 20 states that don't have any?

DIANE AMDOR: There are some states that do not have any earned income tax credit at the state level.

LINEHAN: OK. 20. Is that the right number? That's what-- or 21, I guess.

DIANE AMDOR: That sounds right. If-- yep. I'm not going to do math on the fly, but that sounds about right.

LINEHAN: All right. Thank you.

KAUTH: Can I ask a question about that?

LINEHAN: Certainly. Senator Kauth.

KAUTH: So you're saying that there are 21 states that don't offer the EITC?

DIANE AMDOR: A state level earned income tax credit.

KAUTH: OK. So wouldn't that mean that we're actually in the higher quadrant? I mean, we--

DIANE AMDOR: Of the states that have an EITC.

KAUTH: So-- OK. So you-- you've narrowed the band. So-- but of all 50 states, we are in the top third offering the EITC. Ish? Close?

DIANE AMDOR: Again, I'm not going to do math on the fly.

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KAUTH: OK.OK. Just, just-- I wanted to point that-- OK. That changes how I look at that number.

LINEHAN: Thank you, Senator Kauth. Are there any other questions from the committee? Thank you for being here. Any other proponents? Any opponents? Anybody wanting to testify in the neutral position? Senator Bostar, would you like-- oh. Do we have letters? Yes. We had 12 proponents, 1 opponent, and 1 neutral.

BOSTAR: Thank you Chair Linehan, fellow members of the committee. There's just a quote I want to read to you. So President Ronald Reagan once described the earned income tax credit as, quote, the best anti-poverty bill, the best pro-family measure, the best job creation program ever to come out of Congress. I don't know. I think there's value here. I think if we are exploring some of the things that we are, I think this is a worthwhile component. That being said, the first bill I ever saw IPPed sitting here in the Revenue Committee was this very bill, 3 years ago. So I just appreciate all of you taking it seriously. Happy to answer any final questions.

LINEHAN: Thank you, Senator Bostar. Are there any questions from the committee? Seeing none, that will bring the hearing on LB1182 to a close. And we will open the hearing on LB1197, Senator von Gillern.

von GILLERN: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Brad von Gillern, B-r-a-d v-o-n G-i-l-l-e-r-n. I represent District 4, which includes portions of west Omaha and Elkhorn. Today, I bring you LB1197 along with amendment AM2379, which was filed this morning. This is a new bill in place of LB803, which I introduced last year. Last year, we realized there were a number of flaws with that bill that needed to be addressed, so we used the bones of that bill in the development of LB1197. Over the summer and fall, we work with the AG's Office, the League of Municipalities, bond issuers, nonprofits, and developers to arrive at a solution that truly drives economic growth in communities across Nebraska. Very simply, this bill clarifies the original bill passed by Senator Brett Lindstrom several years ago in the following ways: That clarifies acceptable means of financing; clarifies options of ownership structure; clarifies boundary provisions and how properties that include unbuildable space, such as a public intersection or easement may qualify. AM2379, which was submitted this morning and further supplements the bill in the following manner: It clarifies the definition of a sport-- private sports arena; it adds schools and community colleges as allowable co-applicants; it resolves interlocal

agencies' relationships. And the League of Municipalities worked on a piece to the amendment that Senator Bostar agreed upon-- I'll share-- and I'd let Senator Bostar explain that later, if he wishes, regarding some funding through the CCCFF. As I stated before and others will affirm, this is an economic development bill. There are projects across the state in communities large and small that will benefit from passing LB1197. Various projects that I'm aware of are in Omaha, Lincoln, Fremont, Norfolk, Kear-- Grand Island, Kearney, and North Platte. The value of these projects are in the hundreds of millions of dollars and represent a substantial employment opportunity for workers and a substantial contribution of tax revenue, providing a real return on investment. There's one tweak that we didn't have enough time to change, but if everyone is in agreement, I believe it will make the bill a little bit better. And one of the testifiers will follow and explain that part, which we hope to make a committee amendment. There are a number of individuals on hand today that will testify, answering more technical questions about the bill and then the value it will bring to our communities. I'm happy to answer any general questions you may have. Thank you.

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

ALBRECHT: Thank you, Chair Linehan. And thank you for bringing the bill and cleaning things up. But I just have to ask, are any of them connected to a county in any way? Like, like [INAUDIBLE] in a county--

von GILLERN: To-- in-- as far as ownership structure?

ALBRECHT: --and not in the city? When you say Norfolk, is it on the outskirts of Norfolk? Is it, is it always in [INAUDIBLE]?

von GILLERN: Several of the testifiers behind me will talk about some of the specific projects that are coming. I know that-- a couple of them that I know of are not in, in specific city limits, and, and they'll probably talk about that.

ALBRECHT: Just wondering how we could help some of the counties out.

von GILLERN: Yes. Yeah.

ALBRECHT: Reason for asking, but thank you.

von GILLERN: Generally, they want to be located, because they're youth sports facilities, they want to be located near population bases--

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ALBRECHT: Yeah. Yeah.

von GILLERN: --but some of them are outside of city limits that I know of.

ALBRECHT: Very good.

von GILLERN: So, yes.

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

DUNGAN: Thank you, Chair Linehan. And thank you, Senator von Gillern, for bringing this. I know we've already spoken about this, and I appreciate all your hard work on this. I love the concept of it. I know last year when we talked about this, there was a potential constitutional issue that was raised at one point in time. Has that now been addressed?

von GILLERN: Yes it has. Thank you, Senator Dungan, for asking that question. Again, we worked closely with the AG's Office, to talk through that. And then, the-- we worked through the-- the issue was obviously the pledging of the-- the potential pledging of the credit of the state towards any of these projects. In the way that we have worded the, the, the document now, we, we have worked around not-- shouldn't say worked around that issue, we have resolved that issue, to where that's not a risk. And the ownership structure as we've defined it in the bill now, removes that as a risk. And, there's a part of the bill that transfers-- requires a transfer of ownership after a certain number of-- a certain period of time, to, to ensure that the credit of the state is not involved in any way.

DUNGAN: Wonderful. Thank you.

von GILLERN: Thank you. Appreciate that.

LINEHAN: Thank you, Senator Dungan. Are there any other questions from the committee? Seeing none--

von GILLERN: Thank you.

LINEHAN: --we will have proponents. Good afternoon.

MIKE CASSLING: Good afternoon. Chair Linehan and members of the Revenue Committee, first, thanks for your service. My name is Mike.

Cassling, C-a-s-s-l-i-n-g. I'm here in favor of LB1097 [SIC] on behalf of the Nebraska Multisports Complex, which is in La Vista, in the county. Sports tourism is projected to be \$77.6 billion by 2026. Our first year, the full year of the complex will be this year, in phase 1 of the complex, and we're projecting to have 250,000 visitors to the complex over this coming year. And many of those are from out of state. This type of facility also allows kids and adults of all socio-economic classes to participate in tournaments where they normally can't, because of the high cost of traveling out of town. This complex will raise millions of dollars in sales, lodging, gas tax, and these are the best types of tax because they're from people outside the state, with minimal use of services. Tourism supports existing companies, stimulates business development, and tourism levels the playing field for communities across the state. One thing I will point out, since we built this facility in La Vista, all the empty land around there is being developed or under contract to be developed. So it is-- to the senators, is a huge benefit for economic development. Nebraska truly has an opportunity to be-- become a game-changing destination for this huge youth sports market, and it's a huge key for our success in the future. So with that, I'll open to any questions.

LINEHAN: Thank you for your--

MIKE CASSLING: I cut a whole bunch out since I knew you had a long day.

LINEHAN: Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. OK. You might not have been here for our last hearing, actually, the one before the last one. Were you here?

MIKE CASSLING: I was out in the hall.

ALBRECHT: You should have been inside. We've got ways to spend your money. OK, so you-- you're saying 7-- \$77.6 billion? And how much of, of that project in La Vista is in the city limits, and how much would be outside the city limits?

MIKE CASSLING: Inside the city limits of La Vista? Is this stuff you know of?

ALBRECHT: Is it, is it, is it-- no, of-- if it's-- I-80 is where it's at?

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MIKE CASSLING: Yeah.

ALBRECHT: Oh, I thought you said La Vista. It goes up to I-80, right?

MIKE CASSLING: Yeah.

ALBRECHT: Yeah. So is it all in the city of La Vista?

MIKE CASSLING: Yes. Correct.

ALBRECHT: OK, so it's not in the county.

MIKE CASSLING: Well, I guess it's-- yeah.

ALBRECHT: Right. OK. And the reason I ask is we have inheritance tax that we're trying to figure out how we can substitute, even for the municipalities, for them to, to, to be able to have some revenue from those sales of certain things. Instead of just going to the sports complex, are you sharing any of that revenue with the municipalities at this time?

MIKE CASSLING: We're a nonprofit, so we put all the money back into either scholarships for kids who can't afford to play there or other things. The, the city/county is making money because we're pulling in hotel tax--

ALBRECHT: Correct.

MIKE CASSLING: --gas tax, food taxes, and so forth.

ALBRECHT: That's, that's all good, because they, they all have to stay somewhere on I-80 possibly.

MIKE CASSLING: They do. And we're fortunate. We have 3,000 hotel beds within 3 miles of our complex, which draws huge[INAUDIBLE] tournaments.

ALBRECHT: OK, and I'm, I'm excited. I've got kids, and I go to those complexes all summer long. All year long, I'm inside buildings so I get it. So, I'm excited to hear about the I-80 corridor, that we could maybe make some, some concessions for that. Thank you.

MIKE CASSLING: You're welcome.

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

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MIKE CASSLING: Thank you.

LINEHAN: Next proponent. Good afternoon.

ANTHONY CARROW: Good afternoon, Chairperson. We are very excited to be here today. I'm Anthony Carrow, last name C-a-r-r-o-w. I'm here on behalf of several youth sports groups across the state who I work with kind of in a consulting capacity, because of-- they're in the similar situation that we are in. We all need more space. And I, I spent a lot of time working with them because I have the most experience in the state of Nebraska as far as leasing, owning and/or operating a youth sports facility. I've been doing that in the state now for 20-plus years. I would like to read a statement from a, a, a very prominent Nebraskan. His name is John Cook, the head volleyball coach at the University of Nebraska. John couldn't be here today because they're at Big Ten meetings. Kirsten Booth couldn't be here today because they're at Big East meetings. But John did have some things that he wanted to say, because he feels like this is a very important issue to the state of Nebraska. So this is from John. Nebraska is the volleyball state. This year was a record year for volleyball across the state, beginning with 92,003 spectators showing up at Memorial Stadium for Volleyball Day in Nebraska, to the largest single season-- regular season crowd at a Division II match in Kearney, to having the number 1 team in the rankings at some point during the season in the NCAA Division I, NCAA Division II and NAIA, to having 3 Division I programs in Nebraska all participating in the NCAA tournament, to having 2 of the 3 Division II programs in the state competing in the NCAA tournament, and to having over 60 former Nebraska high school club volleyball players playing in postseason events at the college level. Nebraska is behind in building sports complexes. The inventory for children to play just isn't there. The updated legislation with the amendment improves our chances of reaching more children and families that want to participate. Help us provide more opportunities for Nebraskans that want to play youth sports. This is a quality of life issue for our young Nebraska families. If we are trying to keep the best and the brightest in Nebraska, this makes a difference to those young families and athletes. And, and the reason we have this issue is the growth of the sport, not just volleyball, but also basketball in the state is tremendous. In this last season alone, just between a couple of the, the groups in Omaha and Lincoln in the volleyball world, we had to let 600 athletes go because we have no more space. Well, that 600 players who are playing at the grade school, middle school or high school level, but when they want to continue to train and get better with the hopes of playing in college, we just absolutely have no space left to

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take them. So we are in need of some assistance in funding. We are in need of building more facilities, and this bill obviously would go a long way towards that. So.

LINEHAN: Thank you.

ANTHONY CARROW: Thank you.

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

ANTHONY CARROW: Thank you.

LINEHAN: Are there other proponents? Good afternoon.

MIKE ROGERS: Good afternoon, Chairwoman Linehan and members of the committee. My name is Mike Rogers. I'm a bond attorney with Gilmore and Bell in Omaha. We represent multiple issuers around the state of Nebraska. I'm here to provide some expert testimony. LB1197, as amended, makes it clear that state assistance under the Sports Arena Facility Financing Assistance Act may only be used for good governmental purposes. That includes state assistance used to pay for publicly-owned projects, to pay for governmental use of privately-owned facilities, like leasing privately-owned facilities for, for a city, for example, or a school district, and to pay for services like promotion of sports facilities in the city, to promote economic development activity. This bill makes those things clear and will help resolve some of the confusion on those points around the state. It will also provide more opportunities for local groups to organize things like sports complexes, because it will allow interlocal entities to apply for state assistance and own projects like the ones mentioned earlier. And I'll stop there and see if there are any questions.

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

KAUTH: Thank you. I just have one. So, can you tell me the difference between a sports arena facility and a sports complex? And maybe it's-- you're not the right one. I'm not sure.

MIKE ROGERS: Well, it's kind of-- there is a lot of language in, in the act. A sports complex is generally outdoor areas. There's a, a-- and also some indoor areas. A sports arena is more of a--

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LINEHAN: Enclosed.

MIKE ROGERS: --enclosed, like the Ralston Arena, I think, was, was the first project to qualify under this act. So that would be the, the example for that. Sports complexes vary in size depending on the size of the city. If you're in a larger community, it has to have more courts or fields, but it could be either indoor or outdoor.

KAUTH: OK.

LINEHAN: Thank you.

KAUTH: Thank you.

LINEHAN: Any other questions from the committee? I'm sorry. Thank you, Senator Kauth. Seeing no others, thank you for being here.

MIKE ROGERS: Great. Thank you.

LINEHAN: Next proponent. Good afternoon.

MIKE MARKEY: Good afternoon. Chairwoman Linehan and members of the committee, my name is Mike Markey, M-a-r-k-e-y, first name Mike, M-i-k-e. I am the executive director of the Nebraska Arts Council, and I'm here to speak in favor of LB1197 and the amendment, AM2379. It's to that amendment that I'll be speaking today. I first want to thank Senator von Gillern for his collaborative effort in helping us put our language into this bill. And I want to thank the committee for its attention to the Sports Arena Facility Assistant [SIC] Act. The Arts Council has a-- an important interest in a small part of this bill. You see, the fund generated from this act is also used to augment the funding needed by Nebraska communities through the Nebraska Creative Districts program. And to that end, I also want to thank this-- at this opportunity, former state Senator and now Congressman Mike Flood, for his leadership in connecting this act with the Creative Districts program in LB39 in 2021, and Senator Bostar, for his help last year in helping to clarify some of the language. I'm here this year to looking to amend the language of the act to make the use of the funds a little more flexible and effective for the Creative Districts. A little background about the Nebraska Creative District program. I've handed out a quick thumbnail that gives you an idea of the program and the, the impact that it's had to date. The Nebraska Creative Districts program was legislated in 2024 to spur economic growth, by developing a community's creative industries, developing jobs, and improving livability of the community. The program now has 28 certified

communities across the state, and there are 20 more working through the certification process. That process works because it engenders community asset mapping, collaborative discussion, and strategic planning towards a future of growth through projects and programs that increase tourism, develop new jobs, refurbish historic buildings, revitalize downtowns, and broaden the tax base. A number of the Creative Districts are situated in legislative districts represented here today. And I'm sure I don't have to tell you, the [INAUDIBLE] program was done already. In fact, some of my favorite Creative Districts are here today. The program is so successful. There are so many exciting projects happening across the state, but because of that, the program is also underfunded. The Arts Council receives an appropriation for the program, but with 48 communities and more interested, those funds don't stretch far enough. Those communities have strategized the concrete steps needed for growth and vitality. We need the funding to help make them happen, and the Sports Arena Fund helps realize those plans. Thank you.

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

LYNN REX: Sen-- hello. Senator Linehan and members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. I also want to thank Senator von Gillern and his staff for the great work that they've done on this, and a lot, a lot of other folks, too, to make sure that concerns were addressed, and just a-- just, just a great draft, because the League has strongly supported sports arenas throughout this state, and these facilities. They're great for communities, they're great for quality of life, and they also help fund these Creative Districts. And I have to say, I was not necessarily a believer in the Creative Districts. So when Senator Mike Flood-- then State Senator Mike Flood had them, you may remember I opposed that effort. I am now an absolute believer. We have the Nebraska Arts Council at every conference, talking and edu-- educating folks on how they can best move forward in creating them. And they've just really made such a tremendous contribution across the state. So a little bit of background, the foundational bill, LB779 passed in 2010. That was the foundational legislation for the Ralston Arena. The Ralston Arena, Lincoln arena, and Omaha arena, those arenas, 70% go to pay off the bonds or turnback tax, the other 30% go to the CCCFF, the Civic and Community Center Financing Fund. That continues-- that will continue going on. And the Ral-- the Lincoln and the Omaha arenas are under a totally different act. The Ralston Arena, this was the

foundational act, the Sports Facility Financing Assistance Act. In addition, in LB-- LB39 passed. That was a Senator Brett Lindstrom bill. And part of the negotiations on LB39 was that then Senator Mike Flood pretty much broke my kneecaps and said, well, this is how this is going to be. And so we appreciated it, and I, I got to tell you, it has just been a wonderful thing that has happened here. So instead of that 30% going to the CCCFF, it goes to the Nebraska Arts Council for grants and of course, the CCCFF are grants for municipalities across the state. Back in the day, when Brad Ashford, Senators Brad Ashford and Dave Landis came up with this whole idea of turnback tax, the whole concept was if the, if the rest of the state was going to get something-- this was for the Qwest Center at the time-- then other cities also should have the opportunity to have something for their municipalities. And we strongly support LB1197 with AM2379. And you'll know that there's one thing that we're going to talk about here, just very briefly, and this is on page 3, line 7, to insert the definition of governmental use. And Senator von Gillern's staff has got the language for this, where would-- it would read as follows. Governmental use means operational control by the political subdivision for a statutorily permitted purpose of the political subdivision. In addition, that language then, is also referenced on page 8, line 11. And instead of purpose, it talks about governmental use, instead of governmental purpose. With that, I'd be happy to answer any questions you might have.

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

KAUTH: Thank you, Chair Linehan. So you said the Ralston Arena. So what, what happens once the, the time frame for this has passed? Does the money go back to the political subdivision, or how does it work once they stop?

LYNN REX: Once the deadlines stop, paying off the bonds and what the deadlines are statutorily. And this is true too, for the Omaha arena, the Lincoln arena, and also the Ralston Arena. Once that happens, then the funds-- there's no state turnback tax.

KAUTH: OK. So it goes back to whoever--

LYNN REX: Well, it--

KAUTH: --owns it?

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LINEHAN: --pardon me?

KAUTH: It goes to the owner of the--

LYNN REX: It doesn't-- it just is not imposed.

KAUTH: OK. And then how is Ralston Arena doing? I mean are these successful projects, when we use, you know, state money to help with this? Are-- do they become successful projects?

LYNN REX: Well, certainly in terms of the Lincoln arena, the Omaha arena-- again, a totally different act-- very, very successful. The Ralston Arena, I think, was starting out very successful. They really are now. They've come full circle on this. And I think that part of it was, too, just-- I think the Baxter Arena had an impact when that came in online. But they are just doing phenomenal things. And so it's really-- and it's been a great benefit to the community of Ralston, and the surrounding area, too. And-- but I think what's so important about this bill, bill, Senator Kauth, is that this allows other municipalities and entities to come forward and put together the types of things that some of the individual-- individuals that testified before me talked about, so that there would be more sporting facilities for youth all across the state. And, and again, just to underscore this, it isn't just self-executing. This goes before a board and the Governor has to vote yes, in order for that to happen. So I just can't thank Senator von Gillern enough for all of his work. We appreciate the Attorney General's Office in terms of the constitutionality concerns being addressed. And this is just a great bill, and we look forward to having communities across the state implement it.

KAUTH: Thank you.

LINEHAN: Thank you, Senator Kauth. Senator Bostar.

BOSTAR: Thank you, Chair Linehan. And thank you, Ms, Rex. I think just for, for clarification, the funding from the turnback is the state's-- it's the state-only share of sales taxes.

LYNN REX: That is correct. This is the state sales tax from the surrounding area.

BOSTAR: So upon expiration of a project underneath this act, the state sales taxes would just continue to be remitted, remitted to the state.

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LYNN REX: That is correct. It does-- it no longer goes into any of these funds.

BOSTAR: Can you tell me who's on the board that approves?

LYNN REX: Yes, I can. This is on-- I don't know if you have the amendment in front of you or not, but it's on page-- and probably on page 1 of the bill, as well. I'm guessing. The definition of board, board means a board consisting of the Governor, the State Treasurer, the chairperson of the Nebraska Investment Council, the chairperson of the Nebraska State Board of Public Accountancy, and a professor of economics on the faculty of a state postsecondary educational institution appointed to a 2-year term on the board by the Coordinating Commission for Postsecondary Education, and is considered part of the Department of Revenue for the purposes of this act.

BOSTAR: Is that the same board that falls under the Convention Center Facility Financing Assistance Act?

LYNN REX: Yes, it is.

BOSTAR: Thank you.

LINEHAN: Thank you, Senator Bostar. Any other questions from the committee? Seeing none, thank you.

LYNN REX: Thank you. Really appreciate it. Thanks so much.

LINEHAN: You're welcome. Are there any proponents-- other proponents? I'm sorry. Any opponents? Anyone wanting to testify in the neutral position? We didn't have letters. Senator von Gillern, would you like to close?

von GILLERN: Thank you, again, Senator Linehan, members of the Revenue Committee. Let me remind you, there's an, there's an old saying, is that if you see a turtle on a fencepost, you probably know he didn't get there by himself. And I kind of feel like the turtle today. So I'm grateful to, to Lynn Rex. I'm grateful to the AG. I'm also grateful-- I forgot to mention in my opening, Senator Aguilar had a stake in this, and we were able to weave some of the things that were important in a bill that he had into, into our bill also. So lots of advocates, lots of help, lots of meetings over the summer and the fall to get here. Just a couple of comments that were made I want to hit on again. My youngest daughter played volleyball. It was just a terrific influence on her life. One of the things that we saw, with her and all

of our 4 kids, was that, was that tired kids don't get in trouble. Active kids don't get in trouble. So keep 'em active, keep 'em tired. And, and it breaks my heart to hear that there's 600 girls that got cut from playing high school volleyball. And I went to a big school. I went to Burke High School, and there were 625 kids in my graduating class. And playing on a sports team was a real challenge when you have that kind of competition. So for a lot of kids, this is their only backup plan, is to play recreationally and play, play club ball, so I'm a big advocate of that. I was grateful, again, to Lynn for create-- describing all the details around the Creative Districts, because I would have been floundering to, to get through all of that explanation. So-- my last comment, again, is this is an economic development tool. It drives economic development around the areas where these things occur. And, and I just think it's a great tool for a lot of cities and counties, I'm sure, across the state, and will generate revenue for a long period of time, and help our youth in the state of Nebraska. So with that, I'd be happy to answer any questions.

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

von GILLERN: Thank you. Thank you, everybody.

LINEHAN: With that, we'll close the hearing on LB1197, and open the hearing on Senator Dungan's LB1326.

DUNGAN: Good afternoon, Chair Linehan and other members of the Revenue Committee. My name is George Dungan, G-e-o-r-g-e D-u-n-g-a-n. I represent Legislative District 26, in northeast Lincoln, here today introducing LB1326. I will try to be quick, so if I miss something, hopefully the people after me can answer things in more detail. LB1326 is a small bill that seeks to achieve a much larger goal. One of the most important issues that we've heard time and time again here, this year and in previous years in Nebraska, is that we need to address the housing crisis. And affordable housing is a major portion of the housing crisis that we're trying to deal with. In that, housing authorities are a key component in the effort to create more affordable housing. Affordable housing development requires a mix of financing, much of what-- I'm sorry, much of which is derived from the tax code. This means that private individuals or companies make investments in affordable housing, and those investors get repaid via tax credits. When this happens, they are recognized as an equity investor with partial ownership in the project, sometimes as much as 99% ownership. The developer, the Housing Authority in this case, only

has a minimal ownership but is still the controlling member, ensuring, among other things, the beneficiaries are low-income. This bill would ensure that these affordable housing projects receive equitable property tax treatment, which means not harming them because of how they're required to finance the projects. Currently, those housing authorities would only be exempt or eligible for the property tax exemptions if the affiliate that the Housing Authority they work with is wholly owned by the Housing Authority. LB1326 makes the small change of crossing out the words wholly owned, ultimately seeking to incentivize the further development of affordable housing. And in speaking with a number of industry professionals, I've been assured that if we were to pass LB1326, it would result in more of those partnerships happening between housing authorities and affordable housing developers, ultimately resulting in more housing being built, which is the goal that we're all trying to seek here. I'm happy to try, try to answer some of your questions, but I know that the folks behind me are going to have a little bit more detail about how this whole process works.

LINEHAN: Thank you, Senator Dungan. Are there questions from the committee? You're going to be here to close, right?

DUNGAN: I will.

LINEHAN: OK. I will wait, then.

DUNGAN: Thank you.

LINEHAN: Thank you. First proponent.

CHRIS LAMBERTY: Chairperson and senators, I'm Chris Lamberty, C-h-r-i-s L-a-m-b-e-r-t-y. I'm the executive director of the Lincoln Housing Authority. And I'm here today, representing Lincoln Housing Authority and 100 other public housing authorities that are scattered across the state and part of our Nebraska NAHRO organization. I want to point out, out of respect for the committee's time, we have some other housing authorities here, but they're not going to come up and testify. But I do want to point out that they are here, from-- Rita Grigg is the director of the Fremont Housing Authority, and Anita Doggett, who's the director of Housing Partners of Western Nebraska, which pretty much covers the whole Panhandle of Nebraska, based in Scottsbluff. Public housing authorities are locally governed entities. They-- we, we manage federally subsidized low-income housing, typically serving the lowest income residents of your communities.

Under the current law, under the Nebraska Housing Agency Act, properties that are wholly owned by public housing authorities are property tax exempt and always have been. And what LB320-- or LB1326 would do would be to change that, so-- or to update that code, so that if part-- if properties are partially owned by public housing authorities, they would also be property tax exempt. I want to thank you for-- all of you, for taking a few minutes this morning to meet with us, so I had an opportunity to talk to you earlier. One of the questions I got during those conversations was, why would we do that? And so, the why is that the federal government, over the last 30 years, has substantially changed the way they fund federally funded low-income housing developments, [INAUDIBLE] away from grant funding and direct appropriations and more towards funding it through the income tax credit scenarios. And so when that happens, when we are trying to access additional federal funding to rehabilitate existing public housing developments across the state or potentially expand additional targeted, very low-income housing, we're trying to access federal low-income housing tax credits. And when we do that, we strain-- change the ownership structure of these properties to be partially owned and controlled by the Housing Authority, but have a limited investor/partner that's providing money for redevelopment or modernization, and in turn, is getting repaid by the federal government through the tax code. Once we shift that ownership structure, the property goes from no longer tax exempt to-- It loses its tax exemption. So we're trying to maintain our ability to continue to operate that way. My time's up. I will note, there's a zero fiscal note on the bill, and be willing to take any questions.

LINEHAN: Thank you. Are there questions from the committee? Yes, Senator Kauth and then Senator von Gillern.

KAUTH: Thank you, Chair Linehan. OK. So do 100% of the residents have to be qualified for low-income housing? So if you partner with someone else, is it still 100% of the residents in that building, so you couldn't say, put up a really nice place and have 10% of the residents be low income, and then not pay taxes on 100% of that?

CHRIS LAMBERTY: No, you couldn't do that. Now there's very specific definitions in the Nebraska Housing Agency Act and the state law on how public housing authorities can operate. So I can't just go operate or have an ownership and market rate rental housing--

KAUTH: OK.

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CHRIS LAMBERTY: --and, and-- but there is some encouragement for some mix of income. So there's a variety of income on this that are allowed, but typically, they have to be under 80% of the median income.

KAUTH: OK. And my concern--

CHRIS LAMBERTY: And then, federally funded have much more targeted affordability rules. But no, we're not gonna-- we're not going to get any private development market rate housing off the tax [INAUDIBLE].

KAUTH: My concern is that because you pay no property taxes, no taxes to any of the political subdivisions for anything for these-- I mean, there's nothing being paid. That's-- was just a concern that you could bulk that up. Thank you.

CHRIS LAMBERTY: You're welcome.

LINEHAN: Thank you, Senator Kauth. Senator von Gillern.

von GILLERN: Yeah. Thank you for your testimony. The-- you-- your, your testimony and Senator Dungan's testimony indicated that more of these would be built. Is this, is this new model going to be more profitable for the development groups, or is it-- does it just allow for a greater number of units to be built under the same, same profit model?

CHRIS LAMBERTY: It's really-- the goals are twofold. One is the ability for existing public housing that's 60 or 70 years old, to refinance, essentially, and be rehabilitated or replaced or updated or upgraded. And so that was really the primary impetus for the bill, because the funding to get that, really, to get significant amounts, you need to go through the tax credit program. The secondary potential benefit is we could potentially see an expansion of federally funded housing developments that are operated by public housing authorities, that would target a lower income demographic than maybe a typical affordable development that's going to go into a community is going to do.

von GILLERN: OK.

CHRIS LAMBERTY: That's the goal anyway, because we have-- that's our public purpose.

von GILLERN: All right. That's helpful. Thank you.

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LINEHAN: Thank you, Senator von Gillern. Any other questions? I just want you to explain how the tax credit works, because people are very confused by tax credits. So.

CHRIS LAMBERTY: There's a 3-day seminar on that.

LINEHAN: Well-- OK. It's not that difficult.

CHRIS LAMBERTY: So yeah, the simplest way I tend to, tend to explain it is it's still a federal grant to a property. It's just that the federal government is borrowing the money from, name your favorite financial institution, that has an ongoing tax liability. They're borrowing the money from Wells Fargo. Wells Fargo is paying the money into the property, and then getting that money back in the form of federal tax credits.

LINEHAN: Do they get interest?

CHRIS LAMBERTY: Oh, yeah, of course, or they wouldn't do it.

LINEHAN: And the money goes back to Wells Fargo.

CHRIS LAMBERTY: The money goes into the property to make it actually work, financially feasible, in lieu of, say, a direct appropriation from the federal government.

LINEHAN: Right.

CHRIS LAMBERTY: But then the, the-- whoever the investor is gets the tax credit, gets their money back in the form of federal tax credits. They're repaid. It's more or less a loan from a financial institution that the federal government is repaying.

LINEHAN: And the, the way they get paid is they don't have to pay their-- they--

CHRIS LAMBERTY: They get a tax credit, so they--

LINEHAN: they get--

CHRIS LAMBERTY: --have a lower tax liability.

LINEHAN: See-- but-- here, this is important.

CHRIS LAMBERTY: I'm sorry.

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LINEHAN: A tax credit is what? A forgiveness of your taxes.

CHRIS LAMBERTY: Correct.

LINEHAN: So if I have a \$10,000 tax credit, I don't have to pay \$10,000 in taxes.

CHRIS LAMBERTY: Correct.

LINEHAN: OK. Is there also a state tax credit, or is it just federal?

CHRIS LAMBERTY: The state does have a tax credit program, also. Nebraska has a tax credit program, also. Typically, they'll-- NIFA will partner up state tax credits with federal tax credits, in, in some of those arrangements.

LINEHAN: Do you know how much the state tax credit is?

CHRIS LAMBERTY: Not off the top of my head.

LINEHAN: OK. All right.

CHRIS LAMBERTY: Carol might know. She's coming up next.

LINEHAN: OK. All right. Thank you very much, unless there's other questions? Yes, Senator von Gillern.

von GILLERN: Just for additional clarity on that, and, and I'll form this-- phrase it in the form of a question, I believe those tax credits are sold for a portion of their value. Ex-- example-- and, and that's part of the profit [INAUDIBLE] on the [INAUDIBLE], correct? They're sold for \$0.85. \$0.90 on the dollar, correct?

CHRIS LAMBERTY: Correct.

von GILLERN: And that's part of the profit model of, of the transaction with the tax credit that makes it work.

CHRIS LAMBERTY: Yeah. That's, that's the, the, the investor who's buying the tax credits isn't going to do it unless they're-- I mean, they're not doing it unless they're getting a return--

von GILLERN: Correct. Thank you.

CHRIS LAMBERTY: --unless there's an interest being paid.

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von GILLERN: Yes.

CHRIS LAMBERTY: So that's, so that's-- yeah. They're paying less than what they get over 10 years, in tax credits.

von GILLERN: Yes. Thank you.

LINEHAN: Thank you very much.

CHRIS LAMBERTY: Sure.

LINEHAN: Next proponent.

von GILLERN: 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, here to testify today in support of LB1326. Out of respect for the committee's time. I won't go into the where-alls and what-fors about why we have property tax exemptions, other than to say that we want to recognize that there's a public good that otherwise, the government might have to undertake itself. And for our part, we're particularly supportive of the fact that the administration provides a more ease of administration, as far as making sure that notice is delivered to the, the assessor. And with that, I am happy to take any questions you may have.

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

JON CANNON: Thank you very much.

von GILLERN: Next proponent. Good afternoon.

CAROL BODEEN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association, and I'm here today to testify in support of LB1326. Just briefly, we are a statewide organization with over 70 members from across all areas of Nebraska. Our members include nonprofit and for-profit affordable housing developers, other nonprofit organizations, local governments, housing authorities, bankers, and investors. This diverse membership is united in support for our mission to champion affordable housing in Nebraska. Thank you to Senator Dungan for bringing this legislation forward this year. As

stated in previous testimony, many of our housing-- our public housing developments in Nebraska are over 50 years old. Due to changes in the federal policies and funding, the renova-- renovations needed in these aging projects, partnering with private low-income housing tax credit developers and investors, has become a preferred financing method. We are coming alongside of our state's housing authorities and the low-income housing tax credit developers to ask for your help in encouraging this public-private partnership. While low-income housing tax credit investors have an ownership interest with the public housing agency, it is the agency that pays the taxes. LB1326 would simply provide tax exemption for all properties controlled, controlled by the local public housing agency. Public housing developments such as this is the foundation of our low-income affordable housing system. They house our elderly, disabled, and other most vulnerable residents in our communities. Advancing this legislation will be a step forward in supporting their very worthy efforts to help these people. We appreciate your consideration. And please let me know if you have any questions.

von GILLERN: Thank you. Any questions in committee? Seeing none, thank you, Ms. Bodeen.

CAROL BODEEN: Thank you.

von GILLERN: Appreciate you being here. Next proponent. Any other proponents for LB1326? Seeing none, any opponents? No opponent testimony for LB1326. Anyone who would like to testify in the neutral position? Seeing none, Senator Dungan, would you like to close? And as you're coming up, we had 6 proponent letters, zero opponent, and zero neutral letters.

DUNGAN: Thank you, Vice Chair von Gillern and fellow members of the Revenue Committee. As I said, this is a relatively small bill. It doesn't make major modifications or changes, but the changes that it does make are important. Prior to introducing this legislation, I spoke with a number of individuals, both, both on the more economic side of housing and then also on the development side of housing. The folks that I spoke to on both sides assured me they really do genuinely believe this will result in additional housing being built. Our housing crisis is-- there's a lot of layers to it. There's no silver bullet. We need more affordable housing. We need more workforce housing. We need more housing in general. Building any housing is going to alleviate the housing crisis in some way, shape or form, and affordable housing is a portion of that. So, people who are far more

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expert in this industry have told me this will help, and I am just trying to be a part of the solution. So with that, I'm happy to answer any questions. And I would appreciate your support for LB1326.

von GILLERN: Thank you. Any questions from the committee members? Seeing none, thank you, Senator Dungan. That will close our hearing on LB1326.

LINEHAN: And we will open the hearing on LB877.

DUNGAN: Don't see Holdcroft.

LINEHAN: I don't see--

DUNGAN: Should one of us run to-- I could run to Judiciary.

LINEHAN: You can text him real quick. Senator Bostar, are you ready?

von GILLERN: He's not here, either.

_____: Senator Bostar [INAUDIBLE].

LINEHAN: Or Senator somebody. Here. Why don't we just jump to mine? It's really quick. Oh. Do we have somebody? Why do we have--

_____: Holdcroft. You're good. Go ahead.

LINEHAN: Is that OK?

von GILLERN: Sure.

LINEHAN: Yeah.

von GILLERN: So we will open on LB1309, Senator Linehan.

LINEHAN: Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. I'm Lou Ann Linehan, L-o-u A-n-n L-i-n-e-h-a-n. I'm from Legislative District 39. I'm here today to introduce LB1309. LB1309 would allow a deduction for Nebraska state income tax of medical expenses not covered by insurance and not already deductible. Medical expenses can be extremely costly for families, especially when those expenses are unexpected. This bill would help families recover a portion of those costs. I did this because a constituent asked me to, but as far as I know, there's nobody here to testify pro or against. And the size of the fiscal note makes it prohibitive-- if I could find

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it-- in the current world, and I don't think this is something that we'll be Execing on. With that, I'll take any questions.

von GILLERN: Any questions from the committee members? Seeing none, Senator Linehan, will you stay to close? Are there any proponents for LB1309? Seeing none, are there any opponents for LB1309? Seeing none, is there anyone who'd like to testify in the neutral position on LB1309? Seeing none, Senator Linehan, would you like to close? Senator Linehan, Senator Linehan waives closing.

LINEHAN: Holdcroft's here.

von GILLERN: That ends our hearing on LB1309, and we'll open up with LB1216. Welcome back, Senator Bostar. He is here? OK.

BOSTAR: Thank you.

von GILLERN: Oh, we already opened.

BOSTAR: He can fight me-- he can fight me for the chair, if he'd like. Good afternoon, Chair Linehan, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, and I represent Legislative District 29. I'm here today to present LB1216, a simple piece of legislation that would exclude restricted funds budgeted for public safety services from the calculation of the base limitation for political subdivisions. The intent behind this legislation is to exempt or exclude law enforcement, corrections, fire service, emergency medical services, from excessive budgetary restrictions in order to ensure that public safety, a critical duty of government, is never impeded. When the people who keep our community safe and secure go to work each day, it's critical that they know that they will be provided with the resources and staffing needed to do their job safely and effectively. National events and political trends have created a ripple effect that is making it more difficult and more dangerous than ever to be a first responder. The Bureau of Justice Statistics National Crime Victimization Survey shows a 44% increase in violent, violent crime, from 2021 to 2022. The Federal Bureau of Investigation's Criminal Data Analysis statistics demonstrate a 7% increase in property crime from 2021 to '22, which came after a decades-long downward trend. The Justice Department estimates that violence against young people doubled from 2021 to 2022. Locally, 10/11 news reported last April, that within Lincoln, car theft had gone up 75% over the past 4 years, rape had gone up 25%, fraud had gone up 22%, theft from vehicles had

gone up 9%. And I will mention that a member of this body just had their car broken into and are-- articles stolen out of, this week. And felony arrests in general had risen 16%, all over the same period of time. This increasing demand for emergency services is hardly limited to law enforcement. In 2023, Channel 6 news out of Omaha reported record-breaking-- a rec-- a rec-- a record-breaking year for emergency calls. It was estimated that Omaha Fire Department responded to more than 68,000 emergency calls the previous year, an all-time high for the community. That's a 12% increase over 2020, and a 33% increase over 2016-- all of this while it's never been harder for departments to recruit and retain staff nationally. Across our country, 78% of agencies reported having difficulty recruiting qualified candidates, 75% of agencies reported recruiting is more difficult now than 5 years ago, and 65% of agencies reported having too few applicants, 50% of agencies reported having to change policies and qualifications for candidates, and 25% of agencies reported having to reduce services. With the obvious growing reality of increased demand for public safety services, it's clear that we must take action to safeguard public safety funding against efforts to reduce dollars spent on these services. LB1216 does just that. This legislation is both a safeguard against efforts to reduce public safety funding, as well as a way that this body can provide clear direction to political subdivisions about what we consider to be a critical duty of local government. As the Governor said earlier this week, quote, this is not about politics. The highest calling in government is public safety. It's important that we stand together to protect our citizens. As this committee constructs legislation to address soaring property taxes, I strongly encourage each of you to consider the real needs of our communities. I believe we must focus local dollars towards keeping our neighborhoods, our streets, and our children safe, in order to safeguard the good life here in Nebraska. An exclusion or exemption for funding public safety services is a critical component to any legislation this committee puts forward for consideration by the rest of the body, as will be made clear by the stakeholders and public safety experts behind me, I want to take a moment to thank all of the first responders who have taken time to come before this committee and speak out about the importance and necessity of this legislation. I would also like to thank the committee for your time and consideration. I know this issue is very important to all of you, and I'd encourage you to support LB1216. And I'd be happy to answer any questions you might have.

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LINEHAN: Thank you, Senator Bostar. Are there questions from the committee? I have a question.

BOSTAR: Yes, ma'am.

LINEHAN: You're, you're trying to take-- you're increasing how much they can spend in current law?

BOSTAR: I'm sorry.

LINEHAN: Are you-- what does this bill do exactly?

BOSTAR: Yes. It would take public safety expenses and effectively remove them from the lid.

LINEHAN: The current-- any current expectat-- any current law?

BOSTAR: The current lid. Yeah. Yes. The way it's written-- we wrote the bill for the laws that exist today. So yes, it would remove it from--

LINEHAN: OK, so I have in front of me, an article from-- Omaha City Council voted Thursday to adopt \$508 million budget, for 2024, that will include a 10% increase in police funding for a new contract. I think spending went up 7%, so we need more than that?

BOSTAR: Representatives from Omaha will be here to speak to the committee. I don't know if I can represent the budgetary people.

LINEHAN: So are you saying we just shouldn't have any control on spending?

BOSTAR: I'm not saying we shouldn't have any control on spending. I think that this language can obviously be tailored, and that's the expectation.

LINEHAN: Because I would, I would-- the concern I would have, is I'll go back to this concern that's been bouncing around. We at the state--

BOSTAR: Yeah.

LINEHAN: --gave a great-- gave significant raise to employees of our state prison, which turned a kickoff to cities and counties increasing their salaries, which will lead to increasing other salaries. And if we take all the lids off, where is that going to go?

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BOSTAR: I understand your concern.

LINEHAN: OK.

BOSTAR: And my concern is the costs, as I think folks behind me will talk about, the costs for maintaining public safety services are increasing faster than-- particularly what we would allow under what we've been considering this session for our laws going forward. Effectively, the result I want to avoid, at all costs, is functionally defunding public safety services across the board. I believe that they are a critical function of government. We all care about property taxes. My constituents care about property taxes. Yours do, too. And I've said this before, and everyone on the-- that's been on the working group for the last 8 months has heard me say this. But the day someone in my district doesn't feel safe in their community is the day they've got a bigger problem than property taxes.

LINEHAN: OK. Well, we got a lot of people that want to testify, so-- any other questions from the committee? Thank you.

BOSTAR: Thank you.

LINEHAN: Proponents.

MICHON MORROW: I was going to say good afternoon, but I, I think we're about good evening now. So good evening, Chair Linehan and members of the Revenue Committee. My name is Michon Morrow, M-i-c-h-o-n M-o-r-r-o-w, currently acting chief for the Lincoln Police Department. I would like to first thank Senator Bostar and the Revenue committee for your support of law enforcement. The assistance in recruiting and retention, along with tuition reimbursement for law enforcement and family members passed in LB447 has significantly helped. I am here today in support of LB1216 on behalf of the Lincoln Police Department, and Lincoln Fire and Rescue. Providing a safe community is important for all Nebraskans. Public safety is our community's administration's highest priority and responsibility. Our police and fire budgets include competitive salaries and benefits, equipment, technology, training, and community programs. However, the reality is the cost of these items is consistently outpacing our allowable budget growth of 2.5-3.5%. It is becoming increasingly challenging to maintain public safety standards and will only be more challenging if we're unable to properly fund the people, equipment, and protect our community. Just want to share a few examples. Recent salary increases for police officers were between 8-10%. This was necessary for competitive

recruiting and retention of the men and women who serve and protect Lincoln, and is comparable to what we're seeing across the state of Nebraska and in the country, as we all struggle to hire law enforcement officers in our communities. The cost of a fully-outfitted cruiser is up 28% in the last 2 years. The cost to maintain and repair police emergency vehicles is up an average of 7%. And unfortunately, underfunding can lead to vehicle breakdowns, officer down time and longer response times to those in our community in need. The cost to fund our combined police and fire pension has increased 8.5% over the last 5 years. Not only is this a state requirement to fund sufficiently, but it's an ethical and moral obligation to provide for the men and women that have spent their lives in service to the community, some retiring early due to service injury. Lincoln Police and Fire and Rescue not only support the city of Lincoln, but also state, county, and other governmental entities like rural fire districts. Example of this collaboration, with the Nebraska State Patrol with technical flight officers, security and enforcement at the State Capitol and around the State Capitol, joint task forces and other collateral responses with Region V, mental health, homelessness, and addiction issues. We want to continue to vest in our budget in support of these important collaborations, as well as grow and support our staff to continue, to continue to serve our community. A safe and secure community is an issue of statewide concern. It affects the ability to recruit businesses, families, and individuals to live in Nebraska, as well as influences tourism and events like the sporting events we heard about earlier. I see that I have the red button here. While, while other city-- within the city of Lincoln, public safety will remain a priority, but I can't forget that we operate in a silo. Other departments and services like utilities, streets, parks, public health, community centers, and libraries all contribute to a safe and secure community. The preceded exemption for public safety allows police and fire to grow as needed without compromising other needed services.

LINEHAN: Thank you.

MICHON MORROW: Thank you.

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

DUNGAN: Thank you, Chair Linehan. And thank you for being here; appreciate everything you do for Lincoln. So--

MICHON MORROW: Thank you.

DUNGAN: --one of the conversations I think we've had in the Revenue Committee previously, was about some of the retention and recruitment that you spoke a little bit about. I know there's been some efforts that have been made to address that, but it sounds like there's still an ongoing concern with regards to retention and recruitment. Do you believe that the passage of LB1216, in some capacity, to ensure that you're outside of that growth lid, would continue to assist and help in the retention and recruitment that you've already started working on?

MICHON MORROW: I do. Costs continue to increase and, and we are in a position, with current climate across the country, that our salaries have to be more competitive. And to your point, Senator Linehan, I, I don't disagree that we, we are in a cycle. And unfortunately, we are in a cycle of competition for the best to bring into our community to serve our community, to make sure that we have a high quality of life, that we maintain a low crime rate, that, in turn, affects our larger community, with insurance rates and businesses wanting to, to stay and welcome them in, and families to stay. So I, I do recognize that there is a cost to public safety. I live here. Our families live here, in the communities that we serve. And so we recognize that, again, but recognize the need for public safety at a premier level, that we ask of our officers in serving this community.

DUNGAN: And then one of the other things I know that I've talked a lot about with folks in the community is obviously, we, we want to ensure officer safety, as well. And so I know the Lincoln Police Department's done a really, I think, good job of continuing to increase the supports and safety aspects for your officers. Is that something else that this would help with, to make sure your officers have the equipment they need, cars that are up to date, things like that, to keep them safe, as well?

MICHON MORROW: Yeah. Like the rest of our community, costs are increasing. We have to have cruisers and the ability to respond effectively to calls for service of those in need in our community. And specific to officer safety, there's no question that technology is continually evolving, and platforms that we utilize frequently become unavailable to us. And we have to search out the next available resource, whether that is body-worn cameras or our less lethal options available to us, to again provide safety for our officers in response to critical incidents within our community. They all come with a price tag.

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DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Any other questions from the committee? You don't have-- public safety doesn't have a lid. I mean, the lid or the base limitation is on the whole city, right?

MICHON MORROW: So you are going to get into questions that are probably outside of my scope. But to my knowledge, public safety falls within the restricted funds that are affected by the lid.

LINEHAN: Right, but it's for the whole city, not un-- police or fire.

MICHON MORROW: Correct. Correct.

LINEHAN: OK. OK. What is the crime rate in Lincoln compared to the rest of the country?

MICHON MORROW: I don't know that I could give you that number right off the top of my head. I do think that we enjoy a lower crime rate. And it is because of the public safety services that we provide here. With that said, we do experience crime trends that have impact across our community. It's no secret. It was, it was already mentioned by Senator Bostar. We have seen an incredible increase in auto thefts, and we are trying to address that.

LINEHAN: You don't know how Lincoln compares to other cities the same size across the country, in crime?

MICHON MORROW: If you wanted specifics, I apologize. I can't give specifics, but overall, I do think that we enjoy a low crime rate for cities our size.

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

MICHON MORROW: Thank you for all you do.

STEVE CERVENY: Good afternoon, senators of the Revenue Committee. Thank you for the opportunity to be here and speak with you today. My name is Steve Cerveney, S-t-e-v-e C-e-r-v-e-n-y. I'm a deputy chief with the Omaha Police Department. The Omaha Police Department supports LB1216. Excluding law enforcement agencies from a cap allows departments statewide to continue providing the utmost professional public safety services by recruiting and retaining quality officers through competitive wages and upgrading crucial equipment as

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technology advances and costs continue to rise by unparalleled levels. Recently, we increased our officers' pay to help draw the best and brightest into the profession and keep veteran officers from leaving the state. We need to bolster our numbers since we are currently down 101 officers. The cost is a substantial-- substantial amount, which had an immediate impact on our budget. Agencies all over the state of Nebraska are experiencing these challenges. A cap would not allow us to make necessary financial adjustments to address the problem, and it would restrict our ability to provide essential, quality police service to the communities that we serve. Recently, we paid over \$1 million to upgrade our radio communication system so that officers could relate critical information to each other, other law enforcement agencies in the metro area of Omaha, and across the state. A cap would have hindered our ability to upgrade and communicate. Rebuilding our field reporting system, which documents all police incidents, maintains data, provides investigative information and fulfills reporting requirements to the state of Nebraska and the federal government will cost at least \$4.5 million. We paid \$1 million for the system in 2011. To purchase and equip one police cruiser, it costs us about \$73,800. It was nearer to \$50,000 a few years ago. To replace our aging armored vehicle-- excuse me. To replace our aging armored vehicle used in very high risk squad call outs, the cost increased from approximately \$280,000 in 2020 to nearly \$348,000 in 2022. Similarly, we needed to replace our bomb response vehicle that handles very dangerous incidents for Omaha and the surrounding metro agencies. We provide bomb response service to the airport, assistance to Offutt Air Force Base, and security for all of the major events in Omaha every year. The price rose from \$245,000 in 2019 to \$629,000 in 2023. It's a 256% increase. A, a cap on public safety services would not allow for that critical purchase. Officer duty rounds jumped 200-- or 24% in less than 4 years. Rifle training rounds jumped 256% during that same time frame. Less than lethal projectiles used to bring volatile situations under control without major injury jumped 72%, as well. We expect a 15% increase in our motorcycle costs. Speed detective devices spiked from \$1,700 to over \$2,400 each. And our valued K-9 dog officers have nearly doubled, from about \$8,500 to nearly \$15,000. And I could go on and give numerous other examples of-- the, the prices have just skyrocketed. And the cap would really hinder our ability to, to keep that equipment technology at the forefront and maintain quality officers.

LINEHAN: Thank you. Are there any questions from the committee? The budget limitation you're under is the city's, not--

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STEVE CERVENY: That's correct.

LINEHAN: --police. You don't have a budget limitation.

STEVE CERVENY: That's correct.

LINEHAN: The city has a budget limitation.

STEVE CERVENY: That would be-- that would be correct, yes.

LINEHAN: OK. You said your bomb, bomb response, \$629,000.

STEVE CERVENY: Yes.

LINEHAN: But you said the airport-- you serve the airport, so I--

STEVE CERVENY: We do.

LINEHAN: --I assume the Airport Authority pays for something for that?

STEVE CERVENY: No. We, we provide many, many, many services for a lot of the smaller surrounding metro agencies. And we do not--

LINEHAN: Airport Authority is hardly a small enterprise.

STEVE CERVENY: Well, the, the Airport Authority is, is much smaller than the Omaha Police Department. And, and we provide--

LINEHAN: So you provide bomb service and don't charge them anything?

STEVE CERVENY: No. Along with many other services, our helicopter unit, we provide many, many critical services for the smaller agencies around this and the metro area, and we don't ask for repayment. Now, they helped us out immensely during some of the 2020 civil unrest. Without those other agencies helping us, downtown Omaha would have been in dire straits.

LINEHAN: So are you going to tell me that Offutt pays nothing, too?

STEVE CERVENY: We help-- it, it-- it's a collaborative effort. No, we, we go out there and provide scans for their runways.

LINEHAN: And they don't pay for it?

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STEVE CERVENY: We do not charge them. So it's just-- it's, it's just an example. And many of services we provide, critical services, that-- those costs have increased immensely.

LINEHAN: OK. I'm, I'm having a hard time accepting that Offutt doesn't pay for services you provide.

STEVE CERVENY: Well, we, we routinely, annually, go out and help them provide bomb scans on their runways. And we don't charge them.

LINEHAN: OK. Well, that's very interesting. Does anybody else have questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. Even with the-- and I think she left, the Chief of Police from Lincoln. When you have 92,000 people come to Lincoln, you're Omaha. But when you have that, that kind of a crowd in Omaha for something, do you guys charge people, or they just expect you to be there?

STEVE CERVENY: So I'm not quite sure I understand your question, Senator.

ALBRECHT: OK. So, so you have the College World Series.

STEVE CERVENY: Yes.

ALBRECHT: And you're all-- you're everywhere.

STEVE CERVENY: Yes.

ALBRECHT: Who funds that?

STEVE CERVENY: Well, that generates a lot of, of tax revenue for the city of Omaha. Which, which in turn--

ALBRECHT: How much do you get of it?

STEVE CERVENY: Well, we are-- the O-- the Omaha Police budget?

ALBRECHT: Yeah.

STEVE CERVENY: We average about a 3-4% increase annually. It just depends on, on the year.

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ALBRECHT: OK. So do you see where we're going with this? I mean, I can't imagine, everywhere you all have to be for us and for our safety, but you should be charging people for services.

STEVE CERVENY: Well--

ALBRECHT: I mean--

STEVE CERVENY: When you say people, some of those agencies couldn't afford and, you know, there were some reciprocal agreements. Like I said, they were-- they readily assisted us. And we have task forces. We train together. So, for example, during that civil unrest, we had rapid deployment forces and tactical teams from those other agencies that, that came out and, and supported us readily.

ALBRECHT: Um-hum.

STEVE CERVENY: So there-- you know, there are collaborative and cooperative efforts. And, and so many of the things that we provide, we don't charge.

ALBRECHT: I think that's a problem.

STEVE CERVENY: Well--

LINEHAN: And, and-- [INAUDIBLE]-- let me-- OK.

STEVE CERVENY: --a lot of these smaller agencies wouldn't be able to afford that.

STEVE CERVENY: Can I--

ALBRECHT: Go ahead. Go ahead. Yep.

LINEHAN: Let me ask the question a different way. So the College World Series, people come to town from all over and they pay a lot of sales taxes because that whole area is bars, restaurants--

STEVE CERVENY: Right.

LINEHAN: --hotel rooms. I think Omaha has one of the highest occupations taxes in the country on hotel rooms. I think it's-- so that does go back to the city. I mean, when those people are visiting, they are paying.

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STEVE CERVENY: Sure. Sure. Sure. Much of it does. But the point is, if we had a cap on our budget, we wouldn't be able to provide updates with the, the much-needed equipment, the much-needed personnel. Our most valued asset are our officers, and they're, they're leaving at record numbers. They've even left the state.

LINEHAN: OK. I'm going to keep saying this, guys. You don't have a limit on your budget. The city has a limit on what they can increase their budget. Right.

STEVE CERVENY: I'm not quite sure what you're asking. My, my understanding is that LB1216 would exempt us from any, any type of cap.

LINEHAN: But you-- the only cap you're under now is the city cap. We don't have a special cap for public safety. So you talked about, and I appreciate it, the civil unrest, which clearly had multiple effects. Right. It's going to drive your costs up because there was a lot of destruction in a short amount of time. So costs are going to go up because police cruisers were-- all over the country.

STEVE CERVENY: But we had a lot less damage and destruction than could have occurred, thanks to some of the equipment and the personnel, and the surrounding agencies that helped us.

LINEHAN: You said it averages 3-4% a year in your budget, but last--

STEVE CERVENY: Generally.

LINEHAN: --2024 is 10%, right?

STEVE CERVENY: Well, yes. That's an anomaly, because we had to pay-- we had to increase our, our salaries--

LINEHAN: But you--

STEVE CERVENY: --to be competitive, along with other-- along with other measures. And we're very appreciative of, of the State Legislature, for things like tuition waiver. You know, it's, it's a, it's a comprehensive effort. This is only one piece of the puzzle. But yes, we did have to raise our salaries a, a, you know, a considerable amount.

LINEHAN: Well, isn't part of your recruitment pros-- challenge also because of the, of the unrest and all the disrespect?

STEVE CERVENY: Absolutely. Police- the anti-police sentiment, the civil unrest-- you know, the, the, the pandemic had a, a dramatic effect, as well.

LINEHAN: OK. Thank you very much for being here. I appreciate it.

STEVE CERVENY: My pleasure. Thank you.

GARY BRUNS: Good evening, Chair Linehan and members of the Revenue Committee. My name is Gary Bruns, G-a-r-y B-r-u-n-s. I am a firefighter for the city of Lincoln, for the last 21 years, and I represent the Nebraska Professional Firefighters Association, advocating for 1,400 paid firefighters, EMTs and paramedics across the state. Today, I stand before you in strong support of LB1216 to illustrate the critical importance of public safety funding. I'd like to share a story that is not uncommon in our day-to-day activities in the fire and EMS world. Imagine wit-- witnessing a car accident. At first glance, you might not sense life threatening injuries, but within minutes a coordinated response unfolds. Law enforcement will arrive, secure the scene, firefighters will stabilize vehicles, provide initial care, EMS personnel will swiftly assess and prepare patients, and medical units will arrive to transport to the nearest facility. All within 30 minutes, order is restored, leaving many unaware of the complex system ensuring their safety around the clock, 365 days a year. Like this seemingly ordinary event, countless emergencies occur daily. LB1216 would ensure vital tools for our departments to meet these ever growing demands. It allows us to invest in ongoing training, reporting requirements, purchase, modernize, maintain essential equipment, and recruit and retain the best talent Nebraska has to offer. In closing, I'd like to leave you with this. If this body does nothing, our jurisdictions-- our jurisdiction's resources are already being diminished. Take, for example, fire apparatus, the backbone of our equipment needed to provide rescue service. For about the-- approximately, the last 25 years, the expected increase in buying an apparatus has been about 8 or 9%. But because of inflation, supply chain issues, overruns, and some new emission standards coming in '26, those costs are projected to skyrocket by 20-26% in 2026, meaning to replace a fairly basic fire engine that would normally cost \$900,000 today, and in the near future, that's probably going to be \$1.5 million. By supporting LB1216, you invest in the silent guardians who ensure our community's safety. This critical funding equips us to respond efficiently, effectively, and seamlessly, just like the car accident scene. Thank you for your consideration.

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

GARY BRUNS: Thanks.

PATRICK SULLIVAN: Good afternoon, Chairperson Linehan, members of the Revenue Committee. Patrick Sullivan, P-a-t-r-i-c-k S--u-l-l-i-v-a-n, executive board member of the Nebraska State Lodge Fraternal Order of Police, proud 19-year member of the FOP Lodge 8, Douglas County Corrections. My fellow brothers and sisters are proponents of LB1216. Correction officers are a vital component of the criminal justice system, dedicating their public safety service to those we have a constitutional, constitutional duty to protect, and the public who entrust us to carry out the orders of the court. The primary retention method of Douglas County corrections officers has been through compensation, which in our case is bargained for with the county. Our compensation package has struggled over the years to keep pace with inflation, cost of living increases, the ever changing demands of the job market. Our lack of competitive compensation has even hindered our abilities in the past to recruit new officers. Up until our last contract, when our pay was adjusted to be comparable to that of the state corrections officers, we were finally able to garner enough qualified applicants to be at fully-authorized staffing numbers. For Douglas County to keep up with the marketplace, our contract required a \$5 pay increase. This is for obvious reasons. Other career fields have wages and salaries increase without baggage of being correctional officers. As correctional officers, we face a high rates of injures-- injury and illness due to confrontation with incarcerated people and exposure to contagious diseases. The continual threats of violence can cause hypervigilance and anxiety in our officers. We face issues of stress, mandatory overtime, staffing shortages, burnout, divorce, and suicide. All these negative effects of the job mark-- job make recruitment and retention hard enough. Douglas County does a good job of maintaining public safety while maintaining a sensible budget. I urge the committee to advance this bill to ensure public safety is not compromised when our county is adopting its annual budget. We believe LB1216 will give our county the ability to continue retention of corrections officers at the county level. We can keep the dedicated public servants providing public safety and recruitment the next generation of corrections officers into the field. Thank you for your time.

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LINEHAN: Thank you. Are there questions from the committee? Thank you. I do think you guys have one of the toughest, toughest-- they're all tough, but you've got a really tough job.

PATRICK SULLIVAN: I appreciate that. Thank you, Senator.

JERRY STILMOCK: Thank you, Chair Linehan--

LINEHAN: Good afternoon. Good evening, whatever. Hi.

JERRY STILMOCK: --and chair members, my name is Jerry Stilmock, J-e-r-r-y S-t-i-l-m-o-c-k, testifying on behalf of my clients, the Nebraska State Volunteer Firefighters Association and the Nebraska Fire Chiefs Association. I'm, I'm, I'm concerned and my members are concerned. And now, I have to go back to 1998-- 1998 fire districts. Before that, they had their own independent levee authority. At that point in time, the Legislature passed legislation that created a funnel group. Fire districts were placed in that funnel group, and they had to go to counties then to seek levy authority. What happened? What happened was some counties were up against their lid-- their own lid. They had no room to, to dole out to-- the \$0.15. Counties were allocated \$0.35 as they are today. \$0.15 they could dole out to those count-- those different political subdivisions with were in-- within the county, but they no longer had their own independent levy authority. Those were fire districts. What happened? Some counties said, you get zero. What happened to that, when they got zero? Fire districts got zero levy authority. They-- to provide a public safety. The, the volunteers then, the volunteer members had to go out and solicit in order to exceed, to get their own levy authority, for either 1 year if they had a town hall meeting, or 5 years if they went on an agreement-- or they had a election by the people in the fire district. All this stuff happened. It's reality. And it- we're concerned that that might happen again. It might happen again if, back to your legislation from last week, that there's zero increase on, on any type of growth. And therefore, counties are going to have to take care of themselves. And therefore, there's not going to be any money left over for allocation to fire districts. What else is happening? Some fire districts, after several years of legislation introduced before you all came into the office, the Legislature did approve a means in which fire districts could have their own levy authority if a county previously only did not allow any-- zero levy authority, or if they were at \$0.40, the county was at \$0.40 or higher, then the fire districts within that county would have their own levy-- independent levy authority. The-- there's other committees within the Legislature

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hearing about radios. The radio is communication. Fire districts and volunteers are unable to go out and get their own, so they-- last year, you appropriated \$5 million to, to assist. And that was on a lottery basis that some fire departments, they were able to get 2 radios per volunteer department-- or per, per volunteer department. About 886 radios were issued. The, the whole bill has to do with an emphasis on public safety. And I'm going to-- I'm going to step over a line here. And I'm going to say to this committee and the Legislature last year, you agreed that public safety was a priority of this state because you, you approved Senator Bostar's legislation. I-- I'll conclude in 2 minutes, if I may, Madam Chair. Otherwise, I'll stop.

LINEHAN: I will ask you to-- you got another minute.

JERRY STILMOCK: The-- Senator Bostar's legislation was passed, passed, passed out by this committee, passed by the Legislature, that recognized that public safety is too critical to not have the state involved in some means, and that was the recruitment and retention for tuition and tax credits. We're asking you to recognize that public safety is a priority of local areas, but more importantly, it's a priority of the state. Thank you for allowing me to conclude.

LINEHAN: Thank you. Are there questions from the committee? My bill is not zero. I think he said that my bill last year was at zero. It's not.

JERRY STILMOCK: Yeah, of, of the bills being con-- considered.

LINEHAN: OK.

JERRY STILMOCK: Yeah.

LINEHAN: All right.

JERRY STILMOCK: Senator, thank you for my-- for your correction, ma'am. I'll stand at that. And Senator von Gillern has a bill at 0%.

LINEHAN: Well, that's actually somebody else's. He, he introduced that on behalf of someone else.

JERRY STILMOCK: Thank you, ma'am. I, I appreciate you clarifying that, not only for me, but maybe people behind me.

LINEHAN: But, but this-- my, my-- and I'm sorry, Jerry. I do-- I tell you what. The Douglas County Sheriff, if I call him, I don't know if

they sit out at the end of my neighborhood or what, it never takes them more than like, 3 minutes to get there. It's kind of scary. Like, how close are you guys? But this isn't about-- and maybe, Senator Bostar, this is his point here, but this on current-- like, they were taken out from under current limitations that are law now, that to most people don't seem to be working. I mean, it doesn't seem to be keeping property taxes from going up.

JERRY STILMOCK: The, the-- there's so many answers to the-- it's, it's a cobweb. And I, I, I would never want to sit in your chairs. It is a cobweb. Senator Meyer brought, brought up on the, on the other bill, talking about the inheritance tax. Well, what about consolidation? I'll tell you what happens with consolidation. Cities, villages, that do have fire or police departments, they can't keep up pace. They can't keep up with state-- the State Patrol, the county sheriffs. So what happens? Those city officials, those city police officers that are trained, be certified, they get certified by the city. They, they, they leave, because they go to higher pay somewhere else. We have-- I, I know of cities that are running naked right now, on police force. They had to termin-- they, they-- because the county said, we cannot keep enough sheriffs on pay-- on the payroll in order to fund the county operations for law enforcement. So the, the county had to go to the cities that were on an interlocal agreement and say, we can no longer provide services, even though you're paying us for-- a city is paying the county to provide law enforcement back to the city.

LINEHAN: But is it because they don't have the funds or is it because they can't recruit the people?

JERRY STILMOCK: I, I think it's an element of both. Wouldn't you?

LINEHAN: Yeah. Well, when we had years, 2 or 3 years when nobody was-- too many people were discounting the police and discounting their importance. That affected whether people wanted to be police, just like if we don't appreciate teachers.

JERRY STILMOCK: Your words ring so true in my mind. I would love to go on. But you know of situations where law enforcement and the-- and perhaps rescue on, on the-- on medical side of it, firefighters rescue. You had to stand up on the Legislature in the Rotunda, and go, we support blue. We support public safety.

LINEHAN: I know. OK. We can't--

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JERRY STILMOCK: The tide has turned on public safety.

LINEHAN: Yeah.

JERRY STILMOCK: Yes, ma'am.

LINEHAN: All right. Any other questions?

JERRY STILMOCK: Your point is well, well stated.

LINEHAN: Thank you very much for being here. Appreciate it.

JERRY STILMOCK: Thank you, all.

LINEHAN: Next proponent.

KEVIN EDWARDS: Chairman, members of the Revenue Committee, my name is Kevin Edwards, K-e-v-i-n E-d-w-a-r-d-s. I'm the fire chief of the Millard Suburban Fire Protection District. I'm here testifying on their behalf in support of LB2-- LB1216. The Millard Fire District in 1998, consolidated our services with the city of Omaha. And in doing so, we reduced duplication of services by 3 fire stations and 39 firefighters. The-- over the last 26 years, without closing any fire stations or building any additional stations, because we had 3 stations that were serving the Millard Fire District that was being surrounded by the city of Omaha and gobbled up by the city of Omaha. When we, when we consolidated the services and consolidated all our employees into their system, those fire stations were all being used to service both the Millard Fire District and the city of Omaha. The Millard Suburban Fire District has experienced, over the last 5 years, growth of 3.15%. That's new development, new structures. The Millard Suburban Fire Protection District's total levy rate went down 24% over the last 5 years. That's an average reduction of 4.8% a year. The fire district's tax request went up 2.25% per year over the last 5 years. The Millard Suburban Fire District's current population is 33,826, which is 4,239 more than 5 years ago, increasing our growth by 80-- 848 people a year, or 2.9% growth in population per year. Our call load, the calls that the Omaha Fire Department makes on our behalf, went from 1,148 in 2019 to 1,642 in '23. That's an increase of 8.6% per year over the last 5 years. My point is, is that even with consolidation and things, we still have-- because our total budget is public safety. We don't have any additional management team, no additional staff or anything of that nature. I'm the only employee that they have. And we still needed 2.25% per year over the last 5 years, just to keep pace with the compensation that we give to the

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city of Omaha. And a, a, a cap on us, if any of-- right now, we're still-- we're underneath the cap. But if we turn-- if we take the cap down for public [INAUDIBLE] down to zero or less-- or not less, but somewhere near that, it will limit our ability to continue to compensate the city of Omaha.

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

KEVIN EDWARDS: Thank you.

LINEHAN: Next proponent. Next proponent.

BRYAN WAUGH: Good evening, Chairperson Linehan, members of Revenue Committee. Thank you for the opportunity to testify today. My name is Bryan Waugh, B-r-y-a-n W-a-u-g-h, and I'm chief of police for the Kearney Police Department and the current president of the Police Chiefs Association of Nebraska. I'm here testifying in support of LB1216 on behalf of the Police Chiefs Association of Nebraska. With other proposed legislation directly tied to property tax relief efforts and hard caps on increases for municipalities and counties, without legislation within LB1216 we fear there will be a direct impact on public safety. For instance, with the growth of any, any community comes the need to hire more police officers. And I've kind of shortened my remarks because a lot of my colleagues have already covered those expenses. Additionally, in order to remain relevant and current with training, equipment and technology, a critical tool for effective, efficient and professional delivery of police service, capital expenditures toward public safety are critical. These expenses are critical in order to meet expectations of public safety in communities across Nebraska. Unless there are meaningful, sustainable, and available state funding toward public safety, hard caps on property taxes without an exception for public safety expenses will have a direct impact on our ability to meet the needs and the expectations of our communities for policing and fire service. Ultimately, this will result in less safe communities across Nebraska. Economic development and responsible growth in cities and counties across the state have a direct impact on the entire state of Nebraska. This growth does not happen without safe communities, which comes at a significant financial cost to cities and counties. I would close by thanking you for the opportunity to testify today on behalf of Police Chiefs Association of Nebraska and in support of LB1216. I'll be happy to answer any questions you may have.

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

BRYAN WAUGH: Thank you, Senator.

LINEHAN: Good evening.

ADAM SCHRUNK: Good evening. My name is Adam Schrunk. I'm the president of the Lincoln Firefighters Association, representing firefighters in Lincoln and South Sioux City. I'd like to thank each one of you for the time you've given to this discussion today. I'm here to speak in support of LB1216. Nine years ago, Lincoln Fire implemented significant measures to try-- to try to improve survival rates in patients we find in cardiac arrest. Prior to the change, the overall survival rate for those patients was just under 24% for patients who had their arrest witnessed by a bystander. Following the changes, those rates increased by more than 100% to 51.5%. Because of our efforts, 240 lives were saved, with nearly 90% of them ability to return to life without neurological deficits, the youngest of those being 2 months old and the oldest being 90 years old. Lincoln Fire recently received designation as an EMS Lighthouse Community, which recognizes excellence in resuscitation cardiac arrest. There are only 10 of us in the nation. How do we do it? We implemented high performance CPR. We began dispatching 2, 2 suppression companies, a medic unit and an EMS supervisor to every suspected cardiac arrest. We began educating the public on hands-only CPR. We do an extensive review of every cardiac arrest case, which provides a look at every step of our treatment, including the rate and quality of our CPR, how quickly we're able to provide an airway, when shocks occurred, and when medications were administered. We implemented the LUCAS device, which is a mechanical device that provides quality compressions while we're moving the patient. We deployed 158 AEDs on all marked and unmarked LPD vehicles. We implemented a device that allows our EMT to provide airway-- an airway quickly, and prior to advanced life support personnel arriving. Your odds of surviving cardiac arrest in Lincoln are better than almost anywhere in the country, sometimes top. [INAUDIBLE] additional training and edu-- dedication of our firefighters was and is necessary for achieving this high level of performance, the resources and equipment we need are, are the other half of the equation. Firefighters are known for their ability to do more with less. You can't really do more with less. You can only do less with less. Some aspect of your operation will suffer. In the case of cardiac arrest, it takes every aspect of the event to go near perfectly if the patient's going to live. If the city loses its

ability to pay for the training, the personnel, the equipment we need, the improvements we've made will deteriorate along with our resources. I've only explained to you one of-- one facet of what we do every day and the potential for negatively impacting the outcome for the people we serve. Fire calls, medical calls, HAZMAT calls, vehicle accidents, technical rescue calls, our ability to appropriately mitigate any of these incidents will be greatly diminished. The people in this community currently pay 35% less for fire service than the average of our comparable cities in the Midwest. We're already sacrificing all we can. Today, I'm here to ask for your support on this bill so that we're able to continue to provide the same exemplary care that's provided hundreds of the residents in our community a second chance of life and will allow us to give hundreds more the same chance going forward. Thank you for your time. Any questions?

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

DUNGAN: Thank you, Chair Linehan, and thank you for being here.

ADAM SCHRUNK: Sure.

DUNGAN: Appreciate you. I know that you probably, along with a lot of other testifiers here today, took time off to be here. So I do really appreciate that this is important. You know, with our firefighters here in Lincoln, I'm curious. We've had conversations as a committee about wages and consistent sort of competing wage increases across the spectrum, whether it's with our corrections officers or other industries. Has that been a continued issue in, in your arena as well, especially with, like, comparability laws and wages and that aspect? Have you seen an issue with sort of a wage race going on too?

ADAM SCHRUNK: Yeah, we always see that. Now the one thing that, that maybe not everybody understands is we are regulated by comparability. We have a comparable array put together by the CIR and so our wages can never get one way or the other too far. We'll be at the CIR having that battle. So we do try to be at the-- at the upper end of that to try-- for recruitment and retention. As any of the small towns smaller than Lincoln realize, we lose our people to Omaha for, for similar reasons.

DUNGAN: So you continue to, I guess, feel the same struggle we've heard about in other industries as well.

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ADAM SCHRUNK: Oh, absolutely. You know, when I tested for, for Lincoln Fire, there were 600 people there, and now we're getting 120. You have to be competitive in this-- in this arena right now. It's, it's not what it used to be as far as the job that, that every kid like me wanted to do.

DUNGAN: Thank you.

LINEHAN: Thank you, Senator Dungan. Senator Albrecht.

ALBRECHT: I just have to ask this question. 150 AEDs in, like, the-- just in your fire?

ADAM SCHRUNK: [INAUDIBLE]

ALBRECHT: Or is that [INAUDIBLE]

ADAM SCHRUNK: That's what we put in, in our police cruisers--

ALBRECHT: Police cruisers.

ADAM SCHRUNK: --and not-- unmarked vehicles.

ALBRECHT: How did you pay for those?

ADAM SCHRUNK: That's a good question.

ALBRECHT: The reason I ask is we have had other bills that are saying that they want one in every school.

ADAM SCHRUNK: Right.

ALBRECHT: And again, it's always about cost. How do you get that many?

ADAM SCHRUNK: I don't know where the budget came for the AEDs, whether it was a grant or some other reason. It's just one of those expenses that-- it's the cost of doing business for the, the high cardiac save rate we have in our city.

ALBRECHT: And I appreciate what you've said in your testimony so I can share it with the 48 other state senators that we'll be OK if we push the red button for you guys to come in and take care of us [INAUDIBLE] heart attack. Thank you for doing what you do.

ADAM SCHRUNK: Thank you.

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LINEHAN: Thank you, Senator Albrecht. Are there other questions? 35% less. I didn't understand it.

ADAM SCHRUNK: If-- so if you look at our annual budget, we do-- we do a comparison of all the similar cities that do similar work and are similar sizes. The, the people here pay, pay 35% less for-- per cap for the same services-- for the fire services.

LINEHAN: Per capita.

ADAM SCHRUNK: Right.

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

ADAM SCHRUNK: Thank you.

LINEHAN: Good afternoon.

JON CANNON: Good afternoon, Chair Linehan, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm executive director of NACO, here to testify in support of LB1216, conditional support, understanding this may, may or may not make its way into part of the Governor's package. As you know and Senator Albrecht, Senator Linehan, as you've rightly noted, we've been working hard on the property tax issue. And so to the extent that there's consideration for public safety and there probably should be, that needs to be taken into account as far as those conversations are concerned, in our opinion. I want to thank Senator Bostar for bringing this. I know that he's always championed public safety, whether it's for firefighters or for police. And he's done an excellent job of that. It's an important part of what counties do. You've heard the litany from me that counties responsible for roads, bridges, law enforcement, jails, courts and elections. It's no accident that 3 of the 6 things I always talk about involve public safety in one way, shape or form. Those of you that have been part of the working group working on property tax reform understand there's been a lot of discussion as to how all this fits in and what those structures are, what the mechanisms are for controlling property taxes. And so to the extent that we've talked about a number of different things, for instance, one of the things that's been discussed in negotiations is whether or not we actually have a lid on restricted funds anymore. This references the lid on restricted funds. There probably needs to be something that would address that if that's the direction that the

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committee wants to go. We might recommend making an exception in, Nebraska Revised Statutes Section 13-520, which is the lid on restricted funds, to make reference to those exceptions that are-- that are in the lid. But other than that, I just want to make sure that NACO expor-- expresses its support for public safety. To the extent that we're advancing the package, we want to make that-- make sure that that sentiment is included. I'm happy to take any questions you may have.

LINEHAN: Are there any-- thank you. Are there any questions from the committee? This is not for this evening, but sometime, maybe you can explain to the kenney-- committee or maybe I'm just the one that doesn't get it, how, how property taxes could have gone up 20% over 5 years if we have all these restricted lids.

JON CANNON: Because there, there are exceptions to the lid.

LINEHAN: Yeah.

JON CANNON: And you know, the question that we've had when we've been on the working group has been, how do we tighten that up in a way that doesn't sacrifice the, the, you know, the things that we need for growing healthy communities.

LINEHAN: Maybe we could start with looking at the exceptions that are in law now.

JON CANNON: We, we have-- we've been talking about those. Yes, ma'am.

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

JON CANNON: Thank you, ma'am.

LINEHAN: Good evening.

WILLIAM RINN: Good evening. My name is William Rinn, R-i-n-n. I'm the chief deputy of administration and finance for the Douglas County Sheriff's Office. On behalf of Sheriff Hanson and the Douglas County Sheriff's Office, we offer our support for LB1216. I'll take a little bit of a different approach. Much of my colleagues have gone over health, and prices are raising and cost of doing business. And I will touch on a little bit of that. But first, we'd just like to state that Sheriff Hanson and the sheriff's office understands that local government expenditures are on the rise and there are many programs

that the Douglas County has that are beneficial but may not necessarily be necessary. And those are areas that certainly can be looked at. To-- not to become an expert on this, but we did some research with regard to property taxes. I know that's been at the forefront of things. And, and we look to our neighbors in Pottawat-- Pottawattamie County and the Pottawattamie Sheriff's Office, excuse me, who receives a significant revenue in from the state with regard to public safety, chiefly because 54% of their funds are allocated towards K-12, whereas, that is not the same for our counterparts in Douglas County. Douglas County typically accounts for about 10 or 13% of the property tax bill. Of that, the sheriff's office is allocated 7% of that portion. The city of Omaha, just to give you a reference, gets about 13.8% for public safety. So that's a pretty small slice of the pie to handle the largest county in the state of Nebraska, with the largest court function we would add as well. We have experienced an explosive growth in the county, as everyone knows. The district court, county court, and juvenile court systems are grown every year by the state, with no-- typically no funded revenue coming or stream coming back to the sheriff's office to support that. With the county doing its due diligence and being judicious with, with, caps, their own personal caps, we-- the sheriff's office has been rather suppressed over the last 15, 20 years with actually being able to keep pace with our growth. And then finally, as I would-- as the person who has handled the budget probably now for this is my 4th year coming on, you have to kind of keep your head on a swivel for opportunities, opportunities for growth that may come at a time where you have to grow past any cap that would be because the personnel are there. The IT commitment that we have is roughly \$300,000 a year. And I assure you, the private companies put no caps on their-- on their fees for their services that go up sometimes 3 and 400% annually. And we have to accommodate for that, with 97% of our budget being for its personnel.

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

WILLIAM RINN: You bet. Thank you.

LINEHAN: If you're going to testify, please come up front, guys. It seems-- I know it doesn't seem like much to you, but it saves time. Thank you.

BEN HOUCHIN: Ben Houchin, Lancaster County Sheriff's, chief deputy. I'm here for Lancaster County and for the sheriff's office. One of the

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things we also have the EMTs part of-- in our cruisers. And we did get those from grants. And so we as out in the county have that. I kind of want to hit on the budget.

LINEHAN: I'm sorry, spell your name.

BEN HOUCHIN: Houchin, H-o-u-c-h-i-n.

LINEHAN: And your first name was?

BEN HOUCHIN: Ben.

LINEHAN: [INAUDIBLE]

BEN HOUCHIN: Yes. I want to kind of hit our budget. We make-- our budget's about \$18 million a year. Our salaries and benefits is about \$15 million. That's 82% of the budget I have no control over. Then we have other expenses I have little control over: motor fuel, contracts with 911, CAC city information, liability insurance, vehicle insurance, building rent. And that's about \$1.7 million, which equals \$16.5 million. And that's 91 or 91.5% of the budget, means I have \$1.5 million to do everything else. That's not very much, especially after you heard everything. I'm not going to go into everything we have to buy, because you already know that. But it doesn't leave us much. And if we get a lid on us even bigger, we won't be able to do this and we won't be able to do safety. And it's-- we make tough decisions. And Lancaster County Board of Commissioners do a lot of good things for us. But again, they have other things they have to worry about too. But they are very good on public safety. I've been trying to build a training facility for the last 3 or 4 years. This would help the Lincoln Police Department and the surrounding communities, especially agencies. I know you were talking about who pays for what. A lot of these agencies, if they have a homicide, they don't have the money or the expertise to be able to do those things that need to be done and it's very hard on them. The Lincoln Police Department and us are a lot like Buffalo County and Kearney. We share so many things. Our 911 center, which costs me about a half million dollars a year out of my budget. But we are doing that together. We don't-- we're not duplicating. Our property division, our crime scenes, our electronic evidence units are all together. We try to combine everything we possibly can together. They even-- we have MOUs which allow them to come out into the county and assist us and we can go in and assist them. And we are going to be going hopefully to their training academy here in July to save money and duplicate that. Thank you.

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LINEHAN: Thank you. Questions from the committee?

BEN HOUCHIN: Awesome. Thank you so much.

LINEHAN: Did you say-- just one second--

BEN HOUCHIN: Yes.

LINEHAN: --\$15 million of which you have no control over.

BEN HOUCHIN: Yeah. That's-- that is salaries and benefits that I don't have a say on what they get paid. You know, they negotiate that part of it with the county board and human resources and I'm part of the process. But I-- once that's okayed by a different government entity, I can't say, oh, I'm not going to pay that.

LINEHAN: I see what you're saying. OK. Thank you very much.

BEN HOUCHIN: You bet.

PATRICK DEMPSEY: Good afternoon. My name is Patrick Dempsey, D-e-m-p-s-e-y. Sorry, I'm not the actor, just a 14-year law enforcement veteran with the city of Omaha and here on behalf of the Omaha Police Officers Association. I want to address the issue of placing a cap on municipality spending, which ultimately places a cap on police budgets. This topic is filled with complexities and [INAUDIBLE] for public safety, community well-being, and effectiveness of law enforcement. Imposing budget caps on police departments can have far-reaching negative consequences. First, let's consider the impact on public safety. Police budgets are crucial for ensuring adequate staffing levels and resources to respond to emergencies and combat crime effectively. As many of you know, staffing is an issue that has plagued law enforcement across the state of Nebraska. When budgets are constrained or capped, it can lead to understaffing and stretch resources, hampering law enforcement's ability to protect and serve communities. Second, community policing relies heavily on building trust and relationship with communities that we serve. Budget cuts can hinder community policing efforts, as officers have fewer resources and time to engage with our residents, address concerns, and collaborate on crime prevention initiatives. Lastly, budget constraints can negatively impact officer morale and recruitment efforts, which this Legislature has fought to ensure does not happen in the state of Nebraska. Experienced officers have become "disillusioned" and leave the force while potential recruits may be deterred by the prospect of joining underresourced departments. This

exodus of talent can further strain law enforcement agencies and compromise public safety efforts. Although caps on spending may be necessary, including first responders in this will defund the police. In conclusion, placing a cap on police budget has far-reaching complications and is detrimental to public safety and community well-being. We must prioritize adequately funding law enforcement agencies as they continue to grow and compete with qualified talent so our communities can continue to thrive. With that, I'll take any questions.

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

PATRICK DEMPSEY: Thank you.

LINEHAN: Good evening.

JIM MAGUIRE: Chair Linehan, Senators, good evening. My name is Jim Maguire, J-i-m M-a-g-u-i-r-e, president of the Nebraska Fraternal Order of Police, representing over 5,000 members, here in support of LB1216. Without getting into all of the administrative costs and everything else, because that is way beyond my expertise, I've been a law enforcement officer for 32 years. I did 27 years with the Douglas County Sheriff's Office. I did 5 years with the Omaha Police Department. I've been a street cop the whole time, so I don't understand all the administrative stuff. I will say this, that you have a very tough job. This, this bill is, is kind of a double-edged sword for me because, believe me, I hate paying property taxes. But I also understand that as an employee of the government I rely on those taxes to help fund our organization and in the wage and benefits that we-- that we incur. My concern with this bill is, is although this is going to be hypothetical, I'm worried about the unintended consequences of this bill when it comes to some kind of an emergency. Let's just say, God forbid, we have another situation where we have riots throughout the entire state. And rather it just happening for one week, what happens if we have something that occurs in Seattle where they had it for months? How would you fund that? I don't-- I don't know. I'm not a bean counter. I don't know how, you know, that might be up to the cities and counties. I'm just worried that this may have some sort of unintended consequence towards making sure that we're able to keep our citizens safe. Thank you very much.

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LINEHAN: Thank you. Are there questions from the committee? When you say "this bill," you're not talking about this bill. You're talking about a cap.

JIM MAGUIRE: I'm talking about a cap.

LINEHAN: OK. All right. Thank you.

NEIL MILLER: Good evening again, Chairperson Linehan, members of the Revenue Committee. My name is Neil, N-e-i-l M-i-l-l-e-r. I'm the Buffalo County Sheriff. I'm here testifying on behalf of the Nebraska Sheriffs Association, who is in support of LB1216. It's been a long time with you, and I know you're tired, and I want to get-- I want one paragraph because it's something that's different from what else has been discussed tonight. The Buffalo County Sheriff's Office operates the Buffalo County Jail. Our costs for housing inmates have increased greatly. The budget-- in the budget this year, we are going to over the medical line item. We recently had an inmate in our custody that required a very expensive medication. A 3-month supply cost \$145,977.12. My line item for medical and hospital service is total \$300,000 for the year. I am \$10,000 over the \$300,000 line item in that budget right now due to this medication, one medication, one inmate, 3 months \$145,977 12. Does that happen every day? No. But something like that is going to impact our budget. We have no choice but to pay that, that bill and to get that medication for that inmate. We did work with the county attorney's office to try and work out a house arrest thing, or try and get them out of there so we could not have a fourth month to pay for that medication. One of the things that's always amazed me running a jail, is that we get somebody who's on Medicaid. They come to the jail, and 30 days after they are admitted to the jail, they're kicked off Medicaid. And everything they were on under Medicaid now becomes the responsibility of the county. I don't understand why when we have people coming in that need that kind of care, that we kick them off Medicaid and put that back on the taxpayers, mainly property tax, to pay those costs. So if there's anything you can do that can help that situation out, I think that could be something that would help us save some money because our inmates are getting sicker. Every day they're sicker. So again, thank you for the opportunity to speak with you. And I would answer any questions that any of you have.

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

ALBRECHT: OK. I just have to ask this because you're talking about that Medicaid patient. But what about the patients that come in that have insurance? When they're incarcerated, of course they're not working. But let's say it's a family plan. The wife or the husband, depending on which one you have in the-- in the cell, do you choose their insurance?

NEIL MILLER: We do. If they're-- if they're current on their insurance, we'll run it through their insurance company first. And then if there's anything left, then the county would obviously be on the hook for that. That would be our obligation. But, yes, we do when we can, we run their medical through their own health insurance coming in. A lot of times when they get put in, they get terminated and the health insurance goes with the termination. So then that stops rather quickly as well.

ALBRECHT: I was just wondering about that. Thank you.

LINEHAN: Thank you. Any other questions from the committee? You've got a very legitimate complaint on the Medicaid and I've heard it before, but not as stark of numbers. We will get back to you if there's-- I don't know if that's a state or federal regulation that they cut it off.

NEIL MILLER: I'm not sure where it's at.

LINEHAN: OK. Well, that's what-- if it's state, we can do something about it. If it's federal or--

NEIL MILLER: I understand.

LINEHAN: OK.

NEIL MILLER: Thank you.

JOE KOHOUT: Chairwoman Linehan, members of the Revenue Committee, my name is Joe Kohout, J-o-e K-o-h-o-u-t. I'm a registered lobbyist appearing tonight on behalf of our client, the United Cities of Sarpy County, a coalition of the 5 municipalities of Bellevue, Papillion, La Vista, Gretna and Springfield. I'm here to support LB1216 to remove restricted funds budget-- to remove restricted funds budgeted for public safety services from the calculation of base limitation. Public safety is an essential function of the local government services we provide. Currently, the cities of Bellevue, La Vista, and Papillion budget approximately 25 to 30% of their general fund operating

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budgets, which represents anywhere between 6.4 and \$32 million, for public safety services that are not covered under interlocal agreements. We understand and agree with the goal of reducing property taxes. However, without the ability to exempt public safety services from restricted funds, it will be extremely difficult to maintain the level of public safety services our residents and businesses demand. With that, I would urge the advancement of LB1216 and will try to answer any questions.

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

JOE KOHOUT: Thank you.

LINEHAN: Are there any other proposals? Any opponents? Anyone wanting to testify in a neutral position?

LYNN REX: Senator Linehan--

LINEHAN: Good evening.

LYNN REX: Hello. Members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're neutral on this bill because the bill is amending the Base Limitation Act and the lid on restricted funds with the League and NACO have been negotiating with the Governor's Office and also in essence with this committee with LB1414 and LB1315 is a cap that would remove the lid on restricted funds. That being said, the same-- the same type of testimony, all the testimony you heard this afternoon is applicable to the cap that you're being-- that you're considering here. And I think some of the examples that have been given are imperative to understand what this means for mutual aid agreements, what it means for being able to buy equipment, what has been referenced here in terms of somebody saying, well, you know, we can't control certain things, the state mandate of CIR, in Chapter 48, Article 8, that you're required to pay for same or similar work and you need to be able to do that obviously. We're not contesting that. We're simply saying that the salaries and wages in critically important, and that also includes pensions and other sorts of things. Those are unfunded mandates but things that have to happen in order for us to have public safety. And there is no greater priority than public safety. I would submit to you there's some things as important as public safety in the sense of being able to turn on water. But when the time comes, is it turning on water or being safe when someone's

breaking in your house? It's you want to be able to call 911 to get somebody there. And especially on the law enforcement side, every city is still having issues in terms of retention. That's a big deal and attracting folks to come. It's, it's one of those situations, too, I think it has a lot to do with what happened a few years ago, as you mentioned. And it's a really, really important problem that is being challenged. I think, too, that it's very important to understand that the larger agencies, many of whom testified today, provide all sorts of services to the smaller law enforcement agencies in particular. And that includes on the fire side too. And many times there's no exchange of dollars for that because, frankly, our small communities can't afford to do that. And just to underscore a point that Jerry Stilmock made a few minutes ago, that when the Legislature passed LB1114 in 20-- it would be, let's see, 1996 I guess it was. And when that took effect in 1998, that reduced the levy limits. Second-class cities and villages, we've talked about that before. With that also, as he noted, rural fire districts lost their levy authority. And so you have a lot of different needs here on the public safety side. And as you know, right now, what we're dealing with is a lid on restricted funds. We would suggest that in terms of looking at the testimony today, that you put that in the context of the cap that's being negotiated. And I think some of the concern, too, is that references to a 0% cap, that's what, what you've been hearing today in terms of some of the testimony, the concern about that. With that, I'm happy to answer any questions you have.

LINEHAN: Thank you very much. Are there any questions? Seeing none, thank you very much.

LYNN REX: Thank you very much.

LINEHAN: You bet. Any other wanting to testify in the neutral position? Senator Bostar, would you like to close? Do we have letters? We had everybody came in person. We only have 2 letters and 1 opponent and 1 neutral.

BOSTAR: Thank you, Chair Linehan and fellow members of the committee. I just want to point out this was still far from the longest hearing of the day. Senator Linehan, I have some numbers for you. Violent crime rates for Lincoln: So violent crime per 100,000 population for Lincoln, Nebraska, is 373. National average is 396. Regional Midwest-- Midwest average is 364. So Lincoln falls better than national; worse than Midwest region if that helps give any context.

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LINEHAN: There's probably lots of reasons behind that.

BOSTAR: Sure, absolutely. I'd imagine, but that's just what the numbers are.

LINEHAN: Right. Thank you. I do appreciate you getting an answer.

BOSTAR: I don't think anyone here doesn't believe that I'm passionate about trying to address property taxes. Hopefully you don't doubt that. I've been fairly vocal about it. Even to that end, I should, if it please the committee, I should take the opportunity to actually apologize to Jon Cannon. I was a little-- I was a little more passionate yesterday than was called for or necessary. But I care a lot about it. I do. I care a lot about property taxes. I hear it all the time from my constituents. And I understand the consequences of high property taxes on families in our communities. But a lot of us take public safety for granted, and that's the goal, right? We, we don't want to have to think about our police services, our fire services, our EMS. Hopefully we don't have to think a lot about our jails. And we don't want to think about it because we want them to work. And the moment they stop working up to the standards that we all expect, we're going to think about them a lot. And we're going to then be in a position where we're probably going to do anything we can to fix it. So I understand that it seems like things are OK, but I would actually say that we're, we're on a, a challenging trend right now with public safety services. Things are-- things are difficult. The costs really are going up. None of us in this room, no one behind me, we can't control that. And so when we-- we've put a lot of time to talking about how maybe we should have CPI inflation built into our lids, right? Because the reality is, is if you don't have that, then to some extent you're effectively defunding government over time. What I would say is instead of a Consumer Price Index, if you imagine there was a public safety price index. Even if you have a CPI in place, that public safety price index, as we've been hearing, which may or may not exist as an index, but it's significantly higher. So any-- anything that we do that holds to a number lower than the reality of the cost that we don't get to control going up, we are effectively defunding those things. And I understand that there isn't a specific public safety lid. Right? But, but the lid that's on the city is the lid that they are under as well. And, and honestly, to that end, maybe there should be a separate public safety. I mean, that's kind of we're talking about, right? This bill completely takes them out. There's a lot of things we can do here, but we should do something here. Should there be a different lid system for public safety? Maybe. We need to

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do something. Anyway with that, thank you all very much. I do know all of you care about this. We've worked on this a lot. Thank you. I'm happy to answer any final questions.

LINEHAN: Thank you. Are there any questions for Senator Bostar? Seeing none, we will close the hearing on LB1216.

BOSTAR: Thank you.

LINEHAN: Senator Holdcroft. I'm sorry we skipped around here but.

HOLDCROFT: It's OK. Judiciary is still going and you're the last--

LINEHAN: Well, we're not in a race with them. [INAUDIBLE] to see who can be the longest.

HOLDCROFT: You are our last. I think you're our last bill.

_____ : So you're the last one?

LINEHAN: Yeah.

HOLDCROFT: Last one here, but you're our last one in Judiciary.

LINEHAN: I'm not in Judiciary today.

HOLDCROFT: Yeah, you are. They've got a constitutional amendment, don't they, on Linehan? Right here, LR28CA, Linehan. You're the last one on our agenda.

LINEHAN: Whoa! Are you kidding?

HOLDCROFT: No, I'm not kidding.

_____ : I didn't see it on the website right now.

HOLDCROFT: This is what was handed to me.

LINEHAN: What a surprise.

_____ : It's, it's not on the website right here.

LINEHAN: OK. All right. Can you handle this while I go find out?

von GILLERN: Yeah. Yeah.

LINEHAN: OK.

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von GILLERN: Welcome, Senator Holdcroft.

HOLDCROFT: Thank you, Vice Chair von Gillern.

von GILLERN: We will open our hearing on LB877--

HOLDCROFT: Good to be here.

von GILLERN: --which will be the most efficient hearing of the evening.

HOLDCROFT: It will be. This will be a short, quick and short. Good afternoon-- good evening, excuse me. Good evening, Vice Chair von Gillern and members of the Revenue Committee. For the record, my name is Senator Rick Holdcroft, spelled R-i-c-k H-o-l-d-c-r-o-f-t, and I represent Legislative 3-6, 36, which includes west and south Sarpy County. And I am here today to discuss LB877. This bill is simply a cleanup bill to LB580 that was passed last year as part of LB727. As you will remember, LB580 allowed producers to retain their special tax valuation on agricultural or horticultural land until such land is commercially developed. This bill resulted in some unintended consequences for small farm parcels. LB877 adds the words "contiguous" to the bill language, resulting in, quote: The land shall consist of five contiguous acres or more. LB877 also reinstates language that was struck with LB580. This makes allowance for farm operations that are less than 5 acres as long as certain conditions are met. I feel it is important to address this in a timely fashion. We worked with the Revisor of Statutes Office, county assessors from Johnson, Lancaster and Sarpy Counties as well as other stakeholders to make these changes. And I am confident that this bill addresses the concerns that arose after the passage of LB580. This bill is retroactive so that those affected will not be financially impacted. Once again, there is no fiscal note associated with this bill. Vice Chair von Gillern and members of the Revenue Committee, thank you for your consideration of LB877. I would appreciate a timely vote by committee to get this to the floor of the Legislature. In fact, I would like to submit this for a Speaker priority if we can get it out that quickly. I would be happy to answer any questions you might have.

von GILLERN: Thank you, Senator Holdcroft. Any questions from the committee? Seeing none, thank you. Will you stay to close?

HOLDCROFT: I will stay for close.

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von GILLERN: Thank you. Any proponents for LB877? Want me to keep running?

LINEHAN: No. I can.

von GILLERN: Got it.

LINEHAN: It's a false alarm. It's a typo.

TONY ELLSWORTH: Thank you, Chair. And thank you all for, Senator, for staying and listening to my testimony. So I was one of the ones obviously affected by that and talked to Senator Holdcroft. So my name is Tony Ellsworth, T-o-n-y E-l-l-s-w-o-r-t-h. I'm a U.S. Navy veteran, 4 generation Nebraska ag. I have a small farm in Springfield, Nebraska, just over 5 acres. I got cattle. I got ducks, chickens, orchard and hay and more. Also own a farm-to-fork store in Wahoo, Nebraska. I have 100 farmers, ranchers and producers, all from Nebraska, producing holistically, all under one roof. So also speaking on their behalf a bit here too. After a long day Saturday, came home, got a letter, and found out my special valuation had been canceled. So I called Mr. Dan Pittman at Sarpy, great guy. Talked to him just to see what had happened. And he kind of explained it to me. After that, I called Senator Holdcroft and spoke to him. He invited me here today. From what I understand, and I'm just reading it from a farmer's perspective, I think what he's saying is, if you're under the 5 acres and I actually have over 5 acres, but they omit the buildings, so then you end up under 5 acres, that you just would need to submit Schedule F for 2 out of 3 years. I don't know if there's any other exceptions. In my opinion, that-- that's a-- that's a fair compromise. That's a good fix. So with that and to be brief, that's, that's, I guess what I have to present and happy to answer any questions.

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

DAN NOLTE: Senator Linehan, members of the committee, my name is Dan Nolte, D-a-n N-o-l-t-e. I'm Lancaster County Assessor/Register of Deeds. I'm here in support of LB877. This legislation will return agricultural status to parcels that are less than 5 acres that are farmed with an adjacent, contiguous piece of ag or horticultural land. This legislation also, also provides a means for agricultural and horticultural parcels of less than 5 acres to submit an IRS Schedule F or other suitable tax documents reporting a profit loss from farming for 2 out of last 3 years. Early last June, our office was notified

the Department of Revenue with a law change. Our staff identified about 230 parcels that would be impacted. Our staff worked with several property owners to secure a special valuation on these smaller parcels, but by combining them with adjacent qualifying pieces of farm ground. In some instances, parcels could not be combined due to differences, tax districts, different sections or different ownership. Today, that leaves us with about 130 parcels remaining that are less than 5 acres that our office feels should qualify for special valuation. It also leaves 130 parcel owners unsure and confused about why the sudden change now, after years of, or even decades of receiving special valuation. These parcels have corn or beans, livestock and maybe hay for many years, sometimes for decades. I would ask you to please support LB877.

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

JON CANNON: Chairwoman Linehan, distinguished members of the Revenue Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO. We represent all 93 counties across Nebraska. We're here today in support of LB877. I'd like to thank Senator Holdcrpft for having reached out to us and reached out to assessors across the state in working on, on this particular bill. We support this because it fixes, as he had said, part of LB580 from last year. One thing I do want to bring to the committee's attention is we'd like to fix the retroactivity part of it. There is a commutation clause in Article VIII, Section 4 of the Nebraska Constitution that forbids the Legislature from releasing or commuting a tax that's previously been levied. We think that probably needs to be fixed. However, I would certainly defer to legal counsel to make-- to make sure that that lines up. But other than that, I'm happy to take any questions you may have.

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

JON CANNON: Thank you very much.

LINEHAN: Other proponents? Hello.

BRUCE RIEKER: Good evening. Senator Linehan, members of the committee, my name is Bruce Rieker. It's B-r-u-c-e R-i-e-k-e-r. I'm with Nebraska Farm Bureau, here testifying on behalf of Nebraska Farm Bureau and 8

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other ag organizations called the Ag Leaders, which includes Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Pork Producers Association, the Sorghum Growers Association, Nebraska Soybean Association, State Dairy Association, Nebraska Wheat Growers, and Renewable Fuels Nebraska. This is a very good bill. We appreciate all the work that Senator Holdcroft and others have done on it last year and this year. I'm done.

LINEHAN: Thank you. Do we have any questions from the committee? Seeing none, thank you very much.

JON CANNON: You're welcome even more.

JOHN HANSEN: Madam Chairwoman, members of the committee, it's been a long day. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. We supported LB580 last year. And for all of the reasons that we supported it last year, we support this elegant one word fix. And with that, I would be glad to answer any questions.

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

JOHN HANSEN: Thank you.

LINEHAN: Are there any other proponents? Are there any opponents? Anyone wanting to testify in a neutral position? Senator Holdcroft to close. Oh, and we have letters. We have 9 proponents, 0 opponents and 0 neutral.

HOLDCROFT: So we had, what, 5 proponents and no opponents and no neutral. So I think we could-- this could even be a consent calendar, I think, effort. But I would appreciate the quick response of the Revenue Committee to get it-- get it to the floor. And I'll be happy to answer any further questions.

LINEHAN: Thank you. Are there any questions from the committee? They're all going no. OK. Thank you. With that, we'll close the hearing on LB877. And for you who know how this works, we're going to have an Exec Committee.