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Revenue Committee
January 27, 2010

[LB692 LB708 LB806 LB873]

The Committee on Revenue met at 1:30 p.m. on Wednesday, January 27, 2010, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB708, LB692, LB873, and LB806. Senators present: Abbie Cornett, Chairperson; Merton "Cap" Dierks, Vice Chairperson; Greg Adams; Galen Hadley; LeRoy Loudon; Pete Pirsch; Dennis Utter; and Tom White. Senators absent: None. []

SENATOR CORNETT: (Recorder malfunction)...to my left is Vice Chair, Cap Dierks from Ewing; Senator Greg Adams from York; and Senator Hadley from Kearney, I believe, will be joining us shortly. Senator Pete Pirsch is on my far right from Omaha; next to him is Senator Utter from Hastings; Senator Loudon and Senator White, I believe, will be joining us. Senator Loudon is from Ellsworth and Senator White is from Omaha. Our research analysts are Steve Moore, to my right, and Bill Lock to my left. Committee clerk is Erma James. Pages today are Abbie Greene and Ryan Langle. Before we begin the hearings today, I appreciate if you could please turn your cell phones to either off or to vibrate. The sign-in sheets for testifiers are on the tables by both doors and need to be completed by everyone wishing to testify. If you are testifying on more than one bill, you need to submit a form for each bill. Please print and complete the form prior to coming up to testify. When you come up to testify, hand your testifier sheet to the committee clerk. There are also clipboards in the back of the room to sign if you do not wish to testify but would like to indicate either your support or opposition to a bill. These sheets will be included in the official record. We will follow the agenda posted on the door. The introducer or a representative will present the bill, followed by proponents, opponents, and neutral testifiers. Only the introducer will be allowed the opportunity for closing remarks. As you begin your testimony, please state and spell your name for the record. If you have handouts, please bring ten copies for the committee and staff. If you only have the original, we will make copies for you. Please hand all handouts to the pages to circulate to the committee. With that, Senator Stuthman, you are recognized to open on LB708. []

SENATOR STUTHMAN: Thank you, Chairperson Senator Cornett and members of the Revenue Committee. For the record, my name is Arnie Stuthman, A-r-n-i-e S-t-u-t-h-m-a-n, and I represent the 22nd Legislative District. And I am here today to introduce LB708. LB708 changes the date that an entity must apply for a tax exemption from August 1 to July 1. The County Board of Equalization must hold a hearing and review the application by August 15. Such hearings require that a ten day notice must be given to the applicant and such notice must be published in the local paper. Some county boards only meet once a month, which makes holding such hearings by the 15th of August difficult due to the ten day mandatory notice that is...that it needs to be published. This change would allow county boards that meet only once a month the time needed to publish the mandatory ten day notice and allow time for the applicant to receive such notices. There are county assessors here today to answer any questions

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that you may have because they are working with this, you know, all of the time and the problems that they have with this. So with that, thank you for your time and I would appreciate the advancement of LB708 from the Revenue Committee. [LB708]

SENATOR CORNETT: Thank you, Senator Stuthman. Questions from the committee? Seeing none, thank you. [LB708]

SENATOR STUTHMAN: Thank you. [LB708]

SENATOR CORNETT: May I please have the first proponent. [LB708]

MARILYN HLADKY: (Exhibit 1) Good afternoon, Madam Chairman and members of the Revenue Committee. My name is Marilyn Hladky, M-a-r-i-l-y-n H-l-a-d-k-y. I'm here today representing the Nebraska Association of County Officials, the Nebraska Association of County Assessors, the Southeast District Assessors Association, and also as the Seward County Assessor. Thank you for your time to allow me to speak in support of LB708. I feel that it is important to change the time lines for those organizations to apply for tax exemption if the property is purchased or converted to exempt use after January 1. They currently have until August 1 to change to an exemption and make application with the county assessor. The County Board of Equalization must meet and have a hearing to review and act on the application by August 15 after giving ten days notice. I've attached a calendar showing particularly how this time frame would play out in Seward County this year. Since August 1 is on a Sunday, they could still apply on Monday, August 2. My county board only meets on the 2nd and 4th Tuesday of each month. I would not be able to take the application to them until the August 10th meeting for their consideration and authorization to have that hearing. Seward County has a weekly newspaper that comes out on Wednesday's. The newspaper's deadline for their Wednesday's edition is noon on the Friday before, making the soonest the notice of hearing could be published it would be in the August 18 edition, already past the current statutory deadline. Since there has to be ten days, they could not meet...their next meeting date...could not meet on their next meeting date of August 24. So under these circumstances, Seward County's Board of Equalization would have to meet and decide on this application and have the hearing on the September 14 County Board of Equalization meeting that they have. There would be other counties that have similar circumstances that could not meet the 15th deadline. Some only meet once a month and that practicality of this current time frame in a majority of counties is just not feasible. You know, when an exemption is granted everyone is happy and the process may not be questioned. But if application were to be denied and appealed further to the Tax Equalization and Review Commission, then that creates a huge problem for our county who was not able to either meet the ten day...give the ten days notice or make the decision prior to the August 15th deadline. I respectfully request this committee consider this change to the July 1 deadline enabling counties to have a time for proper notifications for the publications of the exempt

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request and hearing process. Thank you for your time and consideration. And I'd be glad to answer any questions you may have. [LB708]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. Next proponent. [LB708]

JON EDWARDS: Good afternoon, Senator Cornett and members of the committee. My name is Jon Edwards, J-o-n E-d-w-a-r-d-s. I'm here representing Nebraska Association of County Officials today in support of LB708. And certainly, we'd like to thank Senator Stuthman for bringing this bill for us this year and also to Assessor Hladky being here to explain to you some the technicalities of the bill. We think that obviously when you look at this situation, as has been already explained, the window of opportunity and that 15 days there really does not provide an ability for the County Board of Equalization to maybe thoroughly do the job that they should be doing. So we're really talking about moving a 210-day window to a 180-day window. And it's also my understanding there might have been some concern brought forward about those organizations that might acquire property after that July 1 date. There's also a provision in there that changes...if you acquire on or after August 1, currently, you have until, I believe, it's November 15 to get an application in. Then the BOE has to review that by December 15. This would move that back to harmonize with that July 1 date. So then you'd have until the 15th of November from the first of July 1, if you acquire property after that deadline. So that's also provided for within the language. And just a point of clarity. There are, actually I looked this morning and by my count there's about 17 counties that do only meet once a month in the state of Nebraska. So it would help in those...especially with those counties that have that issue to deal with as well. So with that, we'd appreciate it. This is a bill that...one of the bill's that's on NACO's priority list this year. And we would really appreciate if the committee would move it to the floor so that the bill could have some discussion and voted on this year. With that, I'll conclude my testimony. [LB708]

SENATOR CORNETT: Questions from the committee? Seeing none, thank you. [LB708]

JON EDWARDS: Thanks. [LB708]

SENATOR CORNETT: Next proponent. Are there any further proponents? Are there any opponents? Is there anyone here to testify in a neutral capacity? Senator Stuthman, you are recognized to close. [LB708]

SENATOR STUTHMAN: Thank you, Senator Cornett. As you heard in the testifiers, you know, this is something that is needed because of the law and the dates and the amount of time between when it is filed and when some action has to be taken. So I think this is something that is needed and I'm glad that the County Officials brought it to my attention to address this situation so that we can accommodate those, to get the

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things filed at the right time and get action taken on those agenda items. So with that, I would ask that you hopefully could move this out of committee. [LB708]

SENATOR CORNETT: Thank you, Senator Stuthman. Any further questions? Seeing none, thank you. [LB708]

SENATOR STUTHMAN: Thank you very much. [LB708]

SENATOR CORNETT: That closes the hearing on LB708. Senator Price, you are recognized to open on LB692. Welcome to the Revenue Committee. [LB708]

SENATOR PRICE: (Exhibit 2) Thank you, Senator Cornett. Good afternoon, Chairwoman Cornett and members of the Revenue Committee. My name is Scott Price, spelled S-c-o-t-t P-r-i-c-e, and I represent Legislative District 3. And I humbly submit LB692 for your consideration. Nebraska's system of property assessment purports to be uniform and proportionate. But in my opinion it is anything but. The county assessor establishes what he or she believes to be a fair value for a piece of property and notifies the property owner of their decision. In some cases this may be the end of it. Other property owners may protest their valuation. If this happens, the County Board of Equalization steps in and either makes or denies a change in valuation. Additionally, appeals to a county board's decisions are made to TERC and valuations may be changed there too. At this point, three different entities have established value within a county. Last year in Sarpy County the county assessor determined the farm home site should be valued at \$64,000. About half of the affected landowners protested this valuation but a number did not. For those landlord and landowners who protested, the value of their land was eventually lowered to \$47,000. But if a landowner didn't protest, their valuation remained at \$64,000. I don't see how this is either uniform or proportionate. I heard a story the other day about a piece of property on the western end of the state that hadn't changed value in 25 years. Now if you consider similar disparities across 93 counties, it's not difficult to see that we have a problem. In 2007, the Legislature considered and passed LB519 to require all properties to be inspected and reviewed at least every six years. My intention with this bill is to provide more uniformity across the largest counties in the state. As introduced, LB692 would require county assessors to inspect and review all property in the county at least every three years in the state's largest counties, the counties with a population over 100,000 residents or more. You should have received by now an amendment that clarifies my intention by maintaining the current six-year requirement for agricultural land in the state's largest counties. I'm sure you've spoken with frustrated taxpayers just as I have about property tax sticker shock as a result of a significant increase in valuation. And you'll find in the handout also, and we'll talk about that sticker shock. For many people on a fixed income that increased bill can be financially devastating. By requiring reassessment of property every three years, we can smooth the growth curve and prevent sudden, unexpected and significant valuation increases. I believe LB692 will

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also help increase uniformity in assessment practices and valuations across the state. In August of last year, I contacted the assessors in Sarpy and Douglas Counties to ask how much property tax had not changed in value, how much property had not changed in value in three or more years. In Sarpy County, 6 percent of properties had not changed value. In Douglas County 31 percent of the properties had not changed value. To put a dollar value on that, to put it another way, \$7.6 billion worth of property has not been updated in three or more years in Douglas County, approximately \$1 billion in Sarpy County. But this issue is bigger than these two counties. This issue has an impact on taxpayers across the state. My good friend and Chairman of the Education Committee, Mr. Adams, has drilled the simple concept into my head--needs minus resources equals state aid. This is a basic principle we use to equalize the resources available to local governments, community colleges and school districts. We rely on local officials to accurately report current year valuations, again, current year in order for this formula to work properly. So one area of the state may be neglecting its responsibility to fully utilize the resources it has. It impacts the rest of the state. This means less funding for Central Community College in Hastings, Southeast Community College in Milford, and every school district across the state. Now I understand counties are operating within the scope of the law. But I believe the current state of play allows a county to under-represent their actual resources. Again, as of 2009, there were \$7.4 billion, untapped resources. And that figure is three years old. If you brought it up to today's value, what would that \$7.4 billion be? State aid, remember, is a snapshot of the here and now. When we do assessments and we have a period of time when we take a snapshot now, so there could be a lot of play in there. How do we equalize for that? That's what I'm asking your help on here. And, of course, the assessment laws span those multiple years and there seems to be an inherent disconnect between the two. Again, Douglas County has left 30 percent of its potential on the table. Now to go to the handout I handed to you earlier here, that passed out, I'd like to step through, if you wouldn't mind and would indulge me. When we look at number one here, what we see here is...and we have the notes there, we have a 30 percent change in valuation in 2004 to 2005, and then we have four years with no change, and it's a \$160,000 home. I guess, that falls probably in the spectrum of an average home. Then we go to number two, we see a \$1,100 drop, and then four years with no change. And you go to number three, this one is really interesting if you think about it, because you're going to hear people come up and say I don't have the time to assess these properties. When you look at number three, it was a \$100 increase in a six-year period, all right? Now we flip the page, we got a \$2,000 decrease in a six-year period on a \$300,000 home. Go to the next page, page five, now we're talking about a \$650,000 home. And what do we see here? We had a valuation where we had a \$91,300 increase. That's a shock in anybody's book. And then we have a \$40,000 decrease the next year. Again, we have 100 as a percentage of, if you want to do the math I'm sure we can do that. Then you go to finally the 61 Skyline Ranches. And we tried to redact information. But we just want to show, because we had testimony this summer before the Revenue Committee about we go into neighborhoods and then there's a whole bunch of things. I'm not here to suggest

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that anybody is doing anything wrong or outside the scope of the law. But the laxity in the law leaves us with what we see here on six, a 46 percent increase, that was gradual. But if you'll notice, in '04 we had a number, and it changed in '05, and it changed again in '06, and it changed again in '07, it changed again in '08. So in some areas we seem to be able to inspect the home a repeated number of times, in other areas we don't do it at all. And then sometimes we go back to a landowner and we say, we need \$100 in valuation. And with over \$7 billion left on the table this exemplifies and amplifies the challenge we have in our code. And I'd like to ask you to consider to take that to a three year period for the review of these properties. With that, appreciate your time and your consideration. I would answer questions, if I can. I'm sure there will be people to follow who can talk to various aspects of this. [LB692]

SENATOR CORNETT: Questions from the committee? Senator Utter. [LB692]

SENATOR UTTER: Senator Price, in a sense this is a kind of a mandate back to the counties, it would certainly have a fiscal impact. And I notice in the fiscal note that you show that...the Fiscal Office shows the impact just in Lancaster County. Do you have any idea statewide what shortening this time period up to three years would create in the form of a total impact to the state? [LB692]

SENATOR PRICE: Well, again we are only talking about a few counties. I'm sure their representatives will be here to talk about that. And I would counter with if you have \$40 million of revenue on the table and it's \$1.8 million to fund 32 more people in your department, you can see, obviously, where that goes. Yes, there's a mandate and I understand that. And I'll talk more to that later, on closing on that mandate and on that cost. But what we're saying here, Senator Utter, is state aid is a pool of money that everybody puts into. And all the revenue ends up in there and then they divvy it out. And if you hold your values down you get more state aid. That is taking from the pool that's available for everybody else. So if it costs you a little bit more to actively represent it, then isn't that what our law has already asked them to do? Our law already tells them they need to review and do these properties. So we're not asking them to do something that they're not already supposed to be doing. But I don't have the full impact. I'm sure they'll give us some numbers. And I'll close up with some. [LB692]

SENATOR UTTER: Thank you. [LB692]

SENATOR CORNETT: Senator Price, how do you feel that it would impact the state and the Learning Community if Sarpy County just adopted Douglas County's practices? [LB692]

SENATOR PRICE: Well, first and foremost, we'd be propagating a bad business practice. [LB692]

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SENATOR CORNETT: I'm not arguing that. [LB692]

SENATOR PRICE: So I haven't taken the time to say that the other impact of, I'm not going to say any county, but we'll use Sarpy County because you said it, is they have a budgetary need. You know, the way the statute reads, as I've looked into this, an assessor makes a plan, submits that plan to their county board who approves it. Then they go and they execute that plan. And if they have a need to change it, they can without going back to the board. So there's a relationship between there. And you start talking about let's not value our properties as ardently and let's work within that slack. But that then will cause property taxes to increase, because you have a budget expectation. But by putting more money into the county and having more money available, more resources available, in my opinion, you'll raise revenue and you would still...you could lower your rate. You could give a tax rate decrease with a simple business practice change and still create more revenue. [LB692]

SENATOR CORNETT: Senator Hadley. [LB692]

SENATOR HADLEY: Senator Cornett, thank you. Senator Price, if we do something like this doesn't it shift the problem by saying three counties will do it every three years and then the other 90 counties do it every six years. So they would be getting a break, wouldn't they, the other 90 counties because they would be not changing their methods. So when you talk about the equalization formula, doesn't it mean that these three counties would be paying more? [LB692]

SENATOR PRICE: The...yes, the short answer is yes. But the involved answer is are they not using more, are they not taking revenue right now and by holding down, perhaps, their revenue...their valuations. So it's a complex answer. And I would say in the previous bill that was LB519, LB519 had three years in it. It was amended on the floor. It passed through the committee, it went on the floor and the bill was passed with an amendment for three years to six, because I believe there was an agricultural concern. Those lands aren't changing as much, particularly then, as everybody else. So this was going to be the state of play without any commentary or anything else. [LB692]

SENATOR HADLEY: A follow-up question then, I guess. Maybe to look at it a little different way, if it's good enough for the three counties over 100,000, why don't we do it for all 93 counties? Why don't we make three years the...so every county in the state does it the same way? [LB692]

SENATOR PRICE: Senator Hadley, if the committee would amend it to be that way, I'd be more than happy to enjoin that and embrace that. But what I was trying to also do was say, how much are properties moving and changing perhaps in rural Nebraska? How much of a burden would we be putting on a much smaller group of assessors? But I'd be more than happy to take that on as a friendly amendment to put that across the

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entire state. [LB692]

SENATOR HADLEY: Okay, thank you. [LB692]

SENATOR PRICE: Thank you, Senator Hadley. [LB692]

SENATOR CORNETT: Senator Adams. [LB692]

SENATOR ADAMS: Thank you, Senator Cornett. And, Senator Price, kind of in the form of a question and an answer to Senator Hadley. I was the one who put that amendment in. And county assessors were telling me, in the smaller counties, and this may all be a relative problem, but they were simply telling me that one, maybe two people in an office, 10,000, 12,000, 14,000 parcels, they simply couldn't get it done in a three year cyclical time period. Hence, it is as it is. But let me ask you another question, if I may. This is revealing. Did you look at Sarpy County or randomly pick any other county in the state and do something similar to this? [LB692]

SENATOR PRICE: Yes. [LB692]

SENATOR ADAMS: You did? And... [LB692]

SENATOR PRICE: Approximately 86 percent of all Sarpy County properties are done every year, and they will go up and they will go down. But they're assessed at a very high end. And I didn't find as many disparities as I would find...as I found in Douglas County. And I wanted to call out specifically and give you concrete examples. [LB692]

SENATOR ADAMS: Thank you. [LB692]

SENATOR CORNETT: Senator White. [LB692]

SENATOR WHITE: Yes, Senator Price, thank you. I have a number of questions. First of all, the bill would accelerate by one year the valuation of business and real estate, correct, residential real estate, but leave agriculture at a six-year cycle, correct? [LB692]

SENATOR PRICE: Correct. [LB692]

SENATOR WHITE: Do you know of the two categories which has inflated faster in the last couple of years? [LB692]

SENATOR PRICE: Well, you know, in looking at that and getting the amendment, it looks like agricultural land might have been doing that by a 10 percent increase overall. But...so the answer is yes. [LB692]

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SENATOR WHITE: Okay. And we have a number of issues. Though the state constitution allows agriculture to be valued at a different rate than residential or business, are you comfortable that it also allows that the frequency that it is evaluated to be that dispirit? In other words,... [LB692]

SENATOR PRICE: Right. I understand your question. And I hadn't entertained that as a challenge. What I had been trying to do with the amendment was address a concern that Senator Adams had had. And I understand we have set up a dichotomy there and a difference. And again, a friendly amendment from the committee to make it all the same is well taken. [LB692]

SENATOR WHITE: Well, one of the concerns I have it looks like this is largely driven by a concern between Sarpy County and Omaha, you know, to balance, given the Learning Community as one of the major factors. But yet in trying to fix that problem, aren't you increasing in a very substantial way the disparity between Omaha, Douglas County, Sarpy County and Lancaster County and the rest of the state whose values are overwhelmingly in agriculture? [LB692]

SENATOR PRICE: Again, that very may well be, Senator White, in looking at that. And I wanted to be...I want to make sure the Learning Community may have been an initiative for this, okay, gave me the impetus. When I peeled it back and I looked across NRDs, we have multiple jurisdictions that go across counties like this. And there you run into situations where you don't have equal protection, it's as simple as that, you do not have across these county lines. So what I'm trying to do is address that in one way. [LB692]

SENATOR WHITE: Well, you would close the gap between a county that uses a four year, which Douglas uses, and Sarpy which uses a two-year, correct? [LB692]

SENATOR PRICE: Well, they attempt to do 75 percent, it sort of ends up being about a two-year. [LB692]

SENATOR WHITE: Okay. So Sarpy works on a two-year cycle. Douglas works on a four-year cycle. And there's a disparity in valuations that's perceived at least because of that, correct? [LB692]

SENATOR PRICE: Correct. [LB692]

SENATOR WHITE: In an effort to fix that, don't you create an equal or greater disparity between business and residential land and ag land, not just in those counties, but any county? [LB692]

SENATOR PRICE: Absolutely, right. And that's why I believe with Senator Hadley's in there, their commentary there and Senator Utter's, that would work it out. [LB692]

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SENATOR WHITE: Would it not be possible, for example, for Sarpy to move to a four-year valuation cycle matching Douglas County's under the law, thereby solving the perceived difference between counties without a change in the law? [LB692]

SENATOR PRICE: Well, you could take that approach. And I believe I answered that in part with Senator Cornett, in that the county and their budget and their expectation for revenues for that county, you would actually be harming, you'd be harming Sarpy County to do it that way, first of all. Second of all, the statute allows for, with the change would bring them both into harmony by having a three-year. [LB692]

SENATOR WHITE: And I appreciate that you didn't say a two-year cycle or a three. But the question that I find problematic in this is that the power that resides right now in Sarpy County to value at the same frequency as Douglas County and eliminates what is perceived to be the problem which is the difference. And I do want you to know I say that recognizing that you may have seen deflation in home valuations in Douglas County in a substantial way. So accelerating the reevaluation of residential realty may in fact reduce what Douglas County contributes, not increases. [LB692]

SENATOR PRICE: Absolutely. But that's the state of play we have here. And when you talk about the Douglas County and the perceived, I guess, if you want to do it that way, fine. If you want to close libraries and swimming pools and if you want to do it, but I also look at a bigger thing now,... [LB692]

SENATOR WHITE: No one wishes to close those, Senator. [LB692]

SENATOR PRICE: I know that, I know I'm the one saying it. But that's what the reality, the reality of not having dollars, okay, is that. The reality is they have a valuation, from their office they said they had \$7.4 billion. I didn't bring that or manufacture it. [LB692]

SENATOR WHITE: But what you're saying is Sarpy County can raise more tax dollars by reevaluating faster and they choose to do that politically so they can raise more tax dollars, pull more tax money out of the community. And now they object because Douglas County doesn't do it, but they do do it within the statute, wouldn't you agree? [LB692]

SENATOR PRICE: That's why we're here to change the statute. And it was foisted on them by this body. [LB692]

SENATOR WHITE: Okay. So...foisted, we passed a law. [LB692]

SENATOR PRICE: Well, it was put on... [LB692]

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SENATOR WHITE: I mean,... [LB692]

SENATOR PRICE: But they did now, that's what I mean. And I don't want to be combative. I apologize, Senator White. [LB692]

SENATOR WHITE: No, that's all right. I enjoy a good combat every now and then. (Laugh) Been known to anyway. I guess, what I'm struggling with is then what you're indicating the proper solution for this is to require Douglas County to accelerate its reevaluation and maybe it will get more money out of its taxpayers too. But Douglas County has chosen not to do that. And what you want is Douglas County to at least approach Sarpy County's practice, and Sarpy will back off to a three-year. Is that what I'm saying? [LB692]

SENATOR PRICE: That is a connotation. But let me back up because it's real important. What I'd like is a uniform practice and then... [LB692]

SENATOR WHITE: But your bill doesn't promote that. Your bill promotes greater disparity between agriculture and residential. And please understand, the biggest implication isn't in Douglas or Sarpy. The biggest implication for that is in a town such as Kearney or York where you're going to see, as we go through this process, already seeing great differentials, you know, in business and ag already. And that's with a four and a six cycle. If this takes hold, if it goes to other counties, not just 100,000, you're stretching that differential. You're making it even more dispirit because if the businesses, if we're talking general inflation and the businesses have to reevaluate every three years, ag every six years, you get an extra year in ag. So it's not more uniform, it may be between Douglas and Sarpy. But it creates less uniformity in other areas. [LB692]

SENATOR PRICE: That is correct. And I would add that because a valuation changes doesn't mean you're taking more tax dollars because you have the ability to change the rate. [LB692]

SENATOR WHITE: Okay. So Sarpy County won't close any pools or libraries, fair enough? [LB692]

SENATOR PRICE: Well, they will have to deal with whatever rate they do on the valuation. But I'd like to see the valuations done more uniformly. As the committee pointed out, with an amendment, the concern for the agriculture, I would entertain that as a friendly amendment. The idea being is uniformity. [LB692]

SENATOR WHITE: I really appreciate your courtesy, Senator. [LB692]

SENATOR PRICE: Thank you, Senator White. [LB692]

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SENATOR CORNETT: Further questions from the committee? Seeing none, thank you. [LB692]

SENATOR PRICE: Thank you. [LB692]

SENATOR CORNETT: First proponent. [LB692]

JACK CHELOHA: (Exhibits 3 and 4) Good afternoon, Senator Cornett and members of the Revenue Committee. My name is Jack Cheloha, the last name is spelled C-h-e-l-o-h-a. I'm the registered lobbyist for the city of Omaha and I wanted to testify in support of Senator Price's LB692 today. I'm asking the pages and what they're handing out now is a resolution passed unanimously by the Omaha City Council and signed by our mayor in support of this concept, if you will. Although I note on there that there was an error where it was drafted saying that the current law is every seven years, as we know it's every six years. And additionally, there's a letter of support by council member Jean Stothert. She was the initiator, if you will, of this resolution. And she was the one who brought it forward and asked the city to support it. As I understand from what the resolution says and what my bosses have instructed me, we support this concept of moving the requirement up because we feel that it would give the homeowner a more accurate value of what their property really has. Likewise, it would help local governments as they work on their budgets to have a more determinable revenue number, if you will. And because of those reasons, we're in support of the bill. We, you know, I have a hunch that there's going to be opposition from the assessor's office. And I've seen the fiscal note that this is going to add requirements to staffing if you have to reassess and look at properties more often. And if...just to anticipate a question, no, that was not something we factored into our support for the bill. We were merely looking at the fact that we thought that this would help the city of Omaha as it determines its budget, what our property tax base would be. So that's the reason why we support it. [LB692]

SENATOR CORNETT: Senator White. [LB692]

SENATOR WHITE: Yes, thank you, Mr. Cheloha. I read with great interest the resolution of the city of Omaha, city council. And I note they want property reassessed every six years to every three years. Now the only class of property that that can apply to is agricultural property. They want agricultural property, according to the resolution, to go from six years to three years. Because residential property is on a four-year. So reading the document as best I can, the resolution proposes that all agricultural property only be changed from a six-year to a three-year reassessment or we could read it expansively that property applies to all property, and they just didn't understand that residential was on a four-year cycle and ag was on a six-year cycle. Therefore, they now wish ag and residential property to be reassessed on a three-year cycle, right?

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[LB692]

JACK CHELOHA: Well, good point. And I apologize for the errors that are occurring within this document. Based on the fact that most property within the city of Omaha, if not all of it, is probably residential, more likely than not we're supportive of reassessing every three years on residential property. [LB692]

SENATOR WHITE: But you don't know that, do you? Because the document surely doesn't make any sense if you take that interpretation. [LB692]

JACK CHELOHA: Well, that's at least, as I worked at it.... [LB692]

SENATOR WHITE: I can see the city of... [LB692]

JACK CHELOHA: Right. [LB692]

SENATOR WHITE: I can see the city of Omaha saying, ag property has really inflated lately, we're not getting enough aid. So therefore we want all ag across the state to be reassessed at three years so we can get more aid. That would actually make sense, too, wouldn't it? [LB692]

JACK CHELOHA: If we...I don't know about that, Senator. I mean... [LB692]

SENATOR WHITE: Thank you. [LB692]

SENATOR CORNETT: Further questions? Seeing none, thank you. [LB692]

JACK CHELOHA: Thank you. [LB692]

SENATOR CORNETT: Next proponent. I'll take the first opponent. [LB692]

SEAN KELLEY: Good afternoon, Madam Chair, members of the Revenue Committee. My name is Sean Kelley, S-e-a-n K-e-l-l-e-y, registered lobbyist for the Douglas County Board of Commissioners. The Douglas County Board adopted a resolution to oppose LB692. The main reason for this opposition is if this bill does in fact become law it is viewed as an unfunded mandate. The fiscal note states an impact of \$632,000 for Lancaster County, with approximately twice as many parcels it is reasonable to conclude Douglas County would incur a fiscal impact of well over \$1 million annually. Mike Goodwillie, from Douglas County, whose testimony will follow mine, is better suited to answer any questions...any technical questions you may have, but I will be happy to answer...try to answer any questions you do have. [LB692]

SENATOR CORNETT: Senator White. [LB692]

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SENATOR WHITE: It seems to be driven in part by a concern of dispirit values between Sarpy and Douglas County, which seems to me to be reasonable, especially when you're sharing revenue for common purposes people ought to pay the same amount. Could we not solve the problem without a fiscal note by mandating that all counties of 100,000 or more shall only reassess their property on a four-year cycle? And then there is uniformity. [LB692]

SEAN KELLEY: That may be, Senator. [LB692]

SENATOR WHITE: Okay, thank you. [LB692]

SENATOR CORNETT: Senator Adams. [LB692]

SENATOR ADAMS: Maybe you're not the proper person to ask, the person following you may be. In your opinion, is this an issue of dispirit time or one of methodology? [LB692]

SEAN KELLEY: I believe...but Mr. Goodwillie will be better to answer that. But I think it would be dispirit methodology. [LB692]

SENATOR ADAMS: Okay, fair enough. Thank you. [LB692]

SENATOR CORNETT: Senator Pirsch. [LB692]

SENATOR PIRSCH: Obviously, as Senator Price has a handout for the committee here today that shows, I think, anecdotally some illustrations of Douglas County, different neighborhoods' property records that illustrate, in these examples, how properties change from one year and then seem to remain stable for a while, at least according to these four things. I wonder though, has there been...the underlying premise behind this is based on the fact that there are these different cycles right now of assessment. And the assertion then, which may or may not I guess, that this is resulting in, as these anecdotal incidences would suggest, dispirit outcomes then and significant differences and outcomes. Has there been any kind of empirical or statistical approach in analyzing or quantifying what those variations would...actually are, how much merit is there to that? [LB692]

SEAN KELLEY: Senator, I appreciate the question. But Mr. Goodwillie works in the Assessor's Office, so would be better suited to answer that more accurately. [LB692]

SENATOR PIRSCH: Okay, thank you. [LB692]

SENATOR CORNETT: Senator Hadley. [LB692]

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SENATOR HADLEY: Thank you, Senator Cornett. Mr. Kelley, actually this same problem could be in the other 90 counties also. Because we have school districts in the other...that go across county lines, that have...could have different valuation, mill levies, timing, such as that. We have NRDs that maybe go to what, six, seven, eight counties, ESUs. So it's...the problem of Sarpy and Douglas is played out across the state when you have a taxing district that goes across county lines you're going to have this same concern, maybe not to the magnitude that they have. I can see ESUs, NRDs, school districts, you know, I have property in one county and another county and it goes to the same school district. And (inaudible). [LB692]

SEAN KELLEY: Yeah, that's a fair assessment. I think that problem could occur across all 93 counties in the state. [LB692]

SENATOR CORNETT: If we did as Senator White suggested and say, only every four years, wouldn't that have a significant impact on the state aid formula? [LB692]

SEAN KELLEY: Madam Chair, I'd defer to Mr. Goodwillie for that question. [LB692]

SENATOR CORNETT: Thank you. Seeing no further questions... [LB692]

SEAN KELLEY: Thank you. [LB692]

SCOTT GAINES: Good afternoon. My name is Scott Gaines, S-c-o-t-t G-a-i-n-e-s, and I'm the deputy Lancaster County Assessor/Register of Deeds appear before you today to oppose LB692. Initially, we had two basic concerns with the legislation, primarily the cost factor. The resulting requirements of this bill would require approximately a \$600,000 increase in Lancaster County taxpayer expenditures in the first year. In these tight times, as you all know, this would be a very hard sell for us and especially with no clearly visible benefit to those taxpayers. It certainly appears from the testimony to date Lancaster County is drug into a fight between...a disagreement between Douglas and Sarpy. And frankly, I'm not sure where we fit into this mess. And to that end, the equal treatment concern that we have, if it's good enough for these three counties, why isn't it good enough for all 93 counties? I'd just like to point out some of the testimony, the bill addresses how often the assessor's office has to review and inspect the property, running a tape measure, getting on the property, reviewing it. It speaks nothing of how often the values change. In Lancaster County we do a complete reevaluation at least every three years. If the market dictates it has to happen more frequently, we'll do it more frequently. All this does is says, you got to get out there and inspect those properties more frequently, doesn't force anybody to change values more frequently or less frequently. With mass appraisal techniques that are available to us with some of the technology, it's a waste of time for us to go and knock on the door, run a tape measure every three years. [LB692]

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SENATOR CORNETT: So if the language was changed to "valuation" and not actual physical go to the door, would that be... [LB692]

SCOTT GAINES: In my opinion, you can't mandate how often values change because we have to constitutionally track what's going on in the market. [LB692]

SENATOR CORNETT: But you do it every three years? [LB692]

SCOTT GAINES: At least every three. And we did decrease values, our total county valuation base did decrease this year. [LB692]

SENATOR CORNETT: So, one second, Senator Hadley. So given you cannot determine whether values increase or decrease, could you say how often that was looked at, the valuation change? [LB692]

SCOTT GAINES: I think you got it...you could. I'm... [LB692]

SENATOR CORNETT: I mean, if you do it every three years and possibly more often? [LB692]

SCOTT GAINES: I think you still got the constitutional requirement of equal and proportionate. You also have the statutory requirement that we have values that fall within an acceptable range for those equalization purposes. There's other bodies and other checks and balances in the system that are present that would allow for a disagreement between levels of value, between overlapping districts or overlapping counties to be (inaudible) out. But I don't think this legislation accomplishes what I'm hearing the intent is. [LB692]

SENATOR CORNETT: Senator Hadley. [LB692]

SENATOR HADLEY: Yes, Senator Cornett. Thank you, Senator. Follow up a little on what Senator Pirsch was asking, because I have the same type of question. Nationwide, are we using any statistical sampling in other states as to determining valuation and such as that, so that we don't have to go out and do 100 percent looking, climbing on roofs, that type of thing? [LB692]

SCOTT GAINES: And I think that's what I was trying to convey is that there are ways to make sure that the valuation model, and that we in Lancaster County use is the assessment models, to tweak those models to reflect and mirror what's going on in the market without actually physically going out and saying, yep, that's still a 1,200 square foot house with 10-year-old shingles. And the actual data, it's important that it be accurate. And that's why when the six-year requirement was put in law and we're fair,

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that's a reasonable amount of time. That didn't mean that just because six year...we had to inspect every six years, that we weren't going to change values every six years because we know the market is changing quicker than that. [LB692]

SENATOR HADLEY: Are you saying, though, that you have to physically inspect at least once every six years or not? [LB692]

SCOTT GAINES: Under current law, yes. [LB692]

SENATOR HADLEY: Under current law you have to. But the valuation could change yearly... [LB692]

SCOTT GAINES: Absolutely. [LB692]

SENATOR HADLEY: ...because of statistical models and such as that. [LB692]

SCOTT GAINES: Absolutely. [LB692]

SENATOR HADLEY: Okay, thank you. [LB692]

SENATOR CORNETT: Senator White. [LB692]

SENATOR WHITE: So what you are saying is then...well, let me make it a broader question. The concern that I share with Senator Price, Senator Cornett and I think other senators are sharing is we want the tax system to be fair whether you live in a county or in another county. Do you have suggestions to us so that we can improve uniformity of valuation across county lines? I don't care about time you inspect, I don't care how often you revalue the value of a home, that bothers me, the mechanics don't really bother me. What I want to achieve is that a home in Sarpy is fairly valued and fairly taxed as compared to a home in Douglas as compared to a home in Scotts Bluff. [LB692]

SCOTT GAINES: Absolutely. [LB692]

SENATOR WHITE: Okay. Do you have any suggestions on what we could do inside of the statutory scheme that won't break the bank with the assessors but will help further that goal? [LB692]

SCOTT GAINES: I believe within statute that mechanism is there. And, you know, if a taxpayer or a senator had a concern that there is a disparity between two counties, Department of Revenue has to measure each year. And if you don't believe that that measurement that they're coming up with or the resulting action or inaction of the Tax Equalization and Review Commission, I mean those would be the two levels that someone with a perception anyway that there's a different treatment in those two

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counties, that's where, if I was on the outside that's where I would focus my concern is saying...taking some of this data to those two bodies to say, this doesn't appear to be right. [LB692]

SENATOR WHITE: So what you are saying is the mechanisms are in place to ensure that it is reasonably fair assessments in counties that share property values into a common fund for NRDs, schools, ESUs, whatever it may be, that that mechanism is in place? [LB692]

SCOTT GAINES: Yes, it's in place. Whether or not it's functioning as efficiently and as well as it should is open for debate. [LB692]

SENATOR WHITE: Do you know of any improvements that could be made that you can think of to make it function more efficiently or more fairly? [LB692]

SCOTT GAINES: I guess either a longer time frame or some more in-depth analysis of each county being done by... [LB692]

SENATOR WHITE: A longer time frame, what does that mean? [LB692]

SCOTT GAINES: Right now the time frame...when the assessor's office is done and they certify their values, Department of Revenue analyzes, makes recommendation to TERC, TERC then hears testimony and makes their adjustments to a class or subclass of a property. If...that window of time doesn't allow for a lot of real in-depth analysis if there is a, you know, a perceived deficiency. [LB692]

SENATOR WHITE: So giving them more time to make more considered judgments would be helpful? [LB692]

SCOTT GAINES: It certainly wouldn't hurt. [LB692]

SENATOR WHITE: Thank you, I really appreciate that. [LB692]

SENATOR CORNETT: Correct me if I'm wrong, because I was just bantering the number back and forth. The current law is that the assessor has to be within 92 percent of valuation for the county. [LB692]

SCOTT GAINES: Between 92 and 100 percent for residential and commercial. [LB692]

SENATOR CORNETT: Okay. Do you...where does Lancaster fall? Sarpy usually falls about 98 percent. [LB692]

SCOTT GAINES: I don't know if this is good or bad, but I honestly couldn't tell you what

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Lancaster's level is for the... [LB692]

SENATOR CORNETT: I mean, if you're looking at every three years, sometimes more often... [LB692]

SCOTT GAINES: If I had to guess, I think this year we were at 94 as measured by the Department of Revenue. But that's a guess, Senator. And I speak from a little bit of ignorance. I don't oversee the appraisal part of our office. [LB692]

SENATOR CORNETT: So if you are at 94 percent and Douglas County is at 92 percent with their amount of valuation, just meeting the law, or if they're at 94 percent, just meeting the law, the difference between that and 98 percent can be considerable, correct? [LB692]

SCOTT GAINES: Certainly, yeah. [LB692]

SENATOR CORNETT: So if the mechanism is in place or you feel it's in place, instead of looking at when the properties are evaluated, should we look at what the range is, instead of 92 percent should we make it 95 percent or make it 94 percent? [LB692]

SCOTT GAINES: I think the thing you got to keep in mind that the appraisal is an inexact science, the measurement of that appraisal is an inexact science. The... [LB692]

SENATOR CORNETT: But we put a number on it now. [LB692]

SCOTT GAINES: Absolutely. [LB692]

SENATOR CORNETT: So we could correct part of the problem by bumping that number up. [LB692]

SCOTT GAINES: Right, which would...if you shrunk the range, acceptable range, I think would create a de facto, more... [LB692]

SENATOR CORNETT: Appraisals. [LB692]

SCOTT GAINES: ...more appraisals, more frequent appraisals. [LB692]

SENATOR CORNETT: Or maybe not appraisals but change in valuation, whether it would be higher or lower depending on the market. [LB692]

SCOTT GAINES: Right. And when I say more appraisals, I mean more reappraisals, more reevaluations would be required to stay within a tighter range. [LB692]

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SENATOR CORNETT: Correct. [LB692]

SCOTT GAINES: And I might add, with the price tag of, you know, if... [LB692]

SENATOR CORNETT: Understanding that, but you do receive that increase in taxes, correct? From...if you have the...there would be money flowing back into the state for that increase, if it was an increase in valuation. [LB692]

SCOTT GAINES: If our values go up or down in our... [LB692]

SENATOR CORNETT: I know it doesn't affect you. [LB692]

SCOTT GAINES: ...from our perspective it doesn't affect us. [LB692]

SENATOR CORNETT: I know it doesn't affect you but overall for the area that's being taxed it would be more money either into the Learning Community if there was an increase, or more money into... [LB692]

SCOTT GAINES: The valuation base would adjust more frequently. [LB692]

SENATOR CORNETT: Based on that, correct. [LB692]

SCOTT GAINES: Yes. [LB692]

SENATOR CORNETT: Senator White. [LB692]

SCOTT GAINES: It doesn't mean more taxes. Assessors are very sensitive to saying value goes up, taxes go up, so bear with me. [LB692]

SENATOR CORNETT: Go up, value goes down, taxes go down, I understand that. [LB692]

SENATOR WHITE: Right. And so it may not be more money if, as you have had in Lancaster County, deflation and your values dropped this year, it could mean less money by more frequent valuations. [LB692]

SCOTT GAINES: Right, right. [LB692]

SENATOR WHITE: And, hopefully, more accurate values that you base the tax on. [LB692]

SCOTT GAINES: If the range is tighter, yeah, you would assume that everything is...there's less disparity between county A and county B. [LB692]

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SENATOR WHITE: There's always going to be error in any human endeavor, especially something like this. What do you think is a reasonable range that assessors in practicality can achieve? [LB692]

SCOTT GAINES: I can tell you that the last I knew of the International Association of Assessing Officers, the renowned international group that kind of is the oversight body, their recommendation is 90 to 110 percent. [LB692]

SENATOR WHITE: So even broader than we already have. [LB692]

SCOTT GAINES: Yes. [LB692]

SENATOR WHITE: Thank you. [LB692]

SENATOR CORNETT: Senator Louden. [LB692]

SENATOR LOUDEN: Yeah. Thank you, Senator Cornett. Well, as I look at this fiscal note here Douglas County would cost them an extra \$1 million, Lancaster County would...an extra \$500,000. Is this an unfunded mandate if we pass this? I mean... [LB692]

SCOTT GAINES: Absolutely, no question about it. [LB692]

SENATOR LOUDEN: And somebody has got to come up with the bucks. That's a fair size piece of change. [LB692]

SCOTT GAINES: That's why that was our primary concern with the legislation. [LB692]

SENATOR LOUDEN: And what advantage would anyone get by doing this other than the fact that some of the counties, they'd know what the valuation was and they could probably call a local realtor and get the same information. [LB692]

SCOTT GAINES: I'm an opponent of the bill, Senator. I couldn't come up with a positive outcome myself. [LB692]

SENATOR LOUDEN: Okay, thank you. [LB692]

SENATOR CORNETT: Seeing no further questions, thank you. [LB692]

SCOTT GAINES: Thank you. [LB692]

SENATOR CORNETT: Next opponent. [LB692]

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MIKE GOODWILLIE: Senator Cornett, members of the committee, my name is Mike Goodwillie, M-i-k-e G-o-o-d-w-i-l-l-i-e. I am with the Douglas County Assessor's Office and speak in opposition to LB692. A couple of thoughts that have already been echoed, so I won't spend a lot of time on them. I guess, if the goal is to be more accurate, I'm not sure why it's more accurate to review and inspect, why it's more important to review and inspect properties more frequently in Douglas, Lancaster and Sarpy than Hall or Dodge or Scotts Bluff County. I hadn't thought a heck of a lot about the agricultural issue because, quite frankly, we don't have a lot of it. But I do think that certainly there has been significant appreciation in agricultural land values that, you know, would certainly merit a more frequent look. I do want to touch on this, a couple of things. First, the bill talks about review and inspections. I want to echo Mr. Gaines. If you go ahead and review and inspect a property in the end it is still what the behaviors of buyers and sellers are doing in the marketplace that mandates whether you are going to actually adjust the value of a property up or down. The average price of a residential...sale price of a residential home in Douglas County has remained remarkably flat from 2006 to 2009, I think it was \$138-something in 2006, and it was just south of \$137,000 or \$136,000 in 2009. Which means you have certainly some neighborhoods where there is really very little movement. So at the end of the day, the market may not warrant any adjustment at all. I'm not saying every neighborhood is like that or every community is like that. But certainly reviewing and inspecting is one thing, adjusting value is something else. I would suggest that nationally I know of no counties with a three-year review and inspection cycle. And in fact, Kansas, I believe, has gone from a four-year cycle to a six recently. I had hoped to get ahold of a fellow that I know in Kansas whose judgment I trust a lot and ask him, you know, why? And he was unable...he did not get back to me. I don't know if it relates to the additional cost factor or if there was something else motivating that. But certainly the cycle has moved in the other direction in at least one other neighboring jurisdiction. There has been some talk about whether there is any kind of a review of assessments. And, yes, as a matter of fact there is, a couple...as a couple of stages of the process. The Department of Revenue measures all 93 counties in a report and opinion of the property tax administrator and they analyze all three major classes of property in each county pretty thoroughly. They not only look at the assessment sales ratio and the level of value, but they look at quantitative statistics. They also look at factors, for example, such as the percentage of sales that are used in the sales file. County assessors get to cull sales from the sales file. And depending on how they cull, ostensibly to remove nonarm's-length transactions they can make their profile look a little bit different. There's an analysis done of whether the sales base has moved far in excess of the overall base, which would indicate that perhaps what that county is doing is adjusting sold properties only. And there are qualitative statistics as well. Douglas County passes statutory muster. This past year both Douglas and Sarpy were at 96 percent of market value. And Douglas has not been out of range, you know, well, since probably the first year or so of the current assessor's administration. And I think that's at least in part...these ranges are at least in part, because if I asked each of

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you around the table to tell me how much you think a particular property is worth I'd probably get a whole bunch of different answers. Value tends to be a range. Our Supreme Court has said that actual value is incapable of precise measurement. And as Mr. Gaines echoed per the IAAO, the measurement of level and value...level of value is not an entirely precise science either. And finally, let's get to cost. We have 210,000 parcels of real property in Douglas County, which is about twice as many as Lancaster. And their estimate was, you know, approximately \$600,000 in the first year and \$500,000 thereafter. I don't think it's unreasonable to say that our cost would double to meet this requirement. We would need to add the additional bodies to be out in the field to actually measure and do this kind of inspection work. You also need automobiles to get them out in the field. You'd need computers for them to use. You'd need office space in which to house them. And yeah, that's...that would be quite a significant bite to the county. And our current budget is just under \$3 million. And, yeah, it would be a significant, significant additional cost. And with that, I would entertain any questions that you might happen to have. [LB692]

SENATOR CORNETT: Senator White. [LB692]

SENATOR WHITE: Thank you for coming. Rightly or wrongly there's a perception among a lot of folks in Sarpy County that they are paying an unfair amount of taxes that are going into common fund purposes, particularly the Learning Community. That's the perception. And I don't know whether it's well-founded or not. But whenever people start doubting the system is fairly treating them it's a real political problem because faith in the system is important. [LB692]

MIKE GOODWILLIE: Sure. [LB692]

SENATOR WHITE: Do you have any suggestion on how we can ensure that the valuations and therefore the tax burden between Sarpy and Douglas or any counties that share a common fund can be more nearly approximated so the citizens can have confidence that they're not...one group is not being unfairly treated? [LB692]

MIKE GOODWILLIE: I think I would probably echo the sentiments of Mr. Gaines a few minutes ago. And that is there is a process by which county assessment levels are measured. And that's part of the statewide equalization in the springtime. And then, by the way, the Department of Revenue takes another look at levels of value for the purposes of state aid later. And I suspect that perhaps more time to measure, more time to analyze the vast statistical information that they gather from each county, and if they don't believe that the statistics are accurate or they don't believe that a county qualifies, then by all means, you know, haul that county in front of TERC for an order to increase or decrease a class or subclass. [LB692]

SENATOR WHITE: When TERC looks at a county's assessment, will it say, Douglas

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County, you're at 92 percent, Sarpy, you're at 98 or will it just say, Douglas is within the range, Sarpy is within the range? [LB692]

MIKE GOODWILLIE: No, it actually does call a specific level of value for each class or subclass. So every year we essentially get a numerical report card for res., com. and ag, as does every other county in the state. And in fact, if you go out to their Web site you can find their called levels of value for '09, '08, '07, going back quite a number of years. [LB692]

SENATOR WHITE: Has there historically been a lower valuation in Douglas County than Sarpy County? [LB692]

MIKE GOODWILLIE: This year the levels of value have been exactly the same or are exactly the same for residential. In previous years Sarpy might be at 98 and we might be at 96, or Sarpy might be at 96 and we might be at 95. But understand, for statutory purposes with that range of 92 to 100 percent you are basically equalized, you are within the range. And I think that's... [LB692]

SENATOR WHITE: We set that range, though. I'm... [LB692]

MIKE GOODWILLIE: Absolutely right. [LB692]

SENATOR WHITE: The question I have is, how accurate do you think those numbers are and if those come down from TERC is there a method you conclude that we can harmonize the values based on the TERC numbers after they become available, between the counties? [LB692]

MIKE GOODWILLIE: Well, I'm reluctant to speak to Sarpy County's numbers because I don't work in Sarpy County and I don't spend my time analyzing those numbers. What I will tell you is at least on the residential side, which seems to be what most folks want to talk about, I don't think there's a county in the state that utilizes a higher percentage of sales in its sales file, in which we're measured, than Douglas County does. I think we're usually around 90 percent. And... [LB692]

SENATOR WHITE: But we're not going after Douglas County's method or versus Sarpy... [LB692]

MIKE GOODWILLIE: Well, I understand that. [LB692]

SENATOR WHITE: We just want to know whether it's... [LB692]

MIKE GOODWILLIE: What I'm getting at is based on that measurement, yeah, I think our level of value is pretty accurate. [LB692]

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SENATOR WHITE: Okay, thank you. [LB692]

MIKE GOODWILLIE: Sure. [LB692]

SENATOR CORNETT: Actually, it was Senator Hadley, then Senator Pirsch. [LB692]

SENATOR HADLEY: Senator Cornett, thank you. Just a quick question. We have this range, 92... [LB692]

MIKE GOODWILLIE: Yes. [LB692]

SENATOR HADLEY: Why don't we set a number, 95, 98, 97? Why have a range? [LB692]

MIKE GOODWILLIE: I am an arts and sciences guy who's kind of had to learn "stat-geek" as an adult. (Laugh) But from those people that are more statistically inclined than I, it's...I think it's probably because value is a range. Okay? I mean, if you're going to sell your house, I might look at it and say, you know, I'd pay \$156,000 for that house. Senator Cornett may say, yeah, I like it, but maybe only a \$150,000, and Senator White might say, I love that house and my wife does too, and we'd pay \$165,000. I'm not sure you're going to get absolute numerical precision when you try and measure that function. And so that's why those folks who have the most experience in mass appraisal, the International Association of Assessing Officials, view level of value as a range. [LB692]

SENATOR HADLEY: Okay. It just seems that, you know, to arrive at 92 or 96, you're going to use a range within your county, it seems to me. I mean, that you could have some houses valued a little closer to market, others under. [LB692]

MIKE GOODWILLIE: Well, certainly understand you've hit on something. When we talk about level of value, we're talking about the median in the array of all those arm's-length sales that have been used for measurement. So yes, you are going to have some where the assessment sales ratio is higher than that and you're going to have some where the assessment sales ratio is lower than that. So sure. [LB692]

SENATOR HADLEY: Well, it just seems to me that part of the problem here is we have one county using one percentage and another county using another percentage. [LB692]

MIKE GOODWILLIE: Well, I think we all end up at the same general range. And this past year... [LB692]

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SENATOR HADLEY: Well, I understand. But to me there's a reasonable difference between 92 and let's say 96 or 98. You know, that can be a significant difference that we're going to apply taxes to. [LB692]

MIKE GOODWILLIE: Granted. But for whatever reason, you know, the Legislature has deemed... [LB692]

SENATOR HADLEY: Okay, but I guess I was just asking. Okay, thank you. [LB692]

MIKE GOODWILLIE: Okay. [LB692]

SENATOR CORNETT: Senator Pirsch. [LB692]

MIKE GOODWILLIE: Yes, Senator. [LB692]

SENATOR PIRSCH: Thank you for lending your expertise here today. Just a question. As you and others have pointed out, you know, though we may not inspect on this term of or duration, that doesn't preclude changes in valuations. So my question is just, what types of other drivers, what kind of things then would cause you to, without having another inspection, change valuations? [LB692]

MIKE GOODWILLIE: You know, the initial starting point is going to be to review a comparison of assessed value to the sales prices in a particular neighborhood. Okay? In the end, market value is what legions of buyers say it is. And so if, for example, when we compare our assessed values to what selling prices are in a particular neighborhood and we see that...we see those numbers start to slip down low, then what we will try and do is analyze those sales. And we will try and develop a model for that neighborhood based on the characteristics of properties in that neighborhood. Did people pay more for a two-car garage? Did people pay more for a finished basement? Did people pay more for an extra bathroom? And we will work with that model and try and apply that in that neighborhood, which may result in a change in value. We try and stay away from raw, blanket percentage increases or decreases because, while that may make your level of value statistic look very good, if Senator White's property is assessed at 90 percent and Senator Cornett's is assessed at 100 percent, all a 2 percent increase is going to do is get Senator White a little closer to the range, but it's going to push Senator Cornett outside of the range. It doesn't do very much for your internal equalization. So I think our county and Lancaster, too, prefers to do a little bit more thorough review of a neighborhood than just a percentage increase across the board. [LB692]

SENATOR PIRSCH: Okay. So trying to diagnose similar type of homes and the other comparable type of homes in a nearby location is something that may go on, on a yearly... [LB692]

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MIKE GOODWILLIE: Sure. [LB692]

SENATOR PIRSCH: So would that occur yearly or is that analysis only done on a periodic basis as well? [LB692]

MIKE GOODWILLIE: We look at that sales data every year. [LB692]

SENATOR PIRSCH: Okay, thank you. [LB692]

SENATOR CORNETT: Mr. Goodwillie,... [LB692]

MIKE GOODWILLIE: Yes. [LB692]

SENATOR CORNETT: ...I think probably what has brought us here today is what Senator White has talked about and we've had a number of conversations about it is, whether it is accurate or not, there is a perception that there is a difference in the assessment practices between Sarpy County and Douglas County. And this arose from the formation of the Learning Community. Would you agree with that? [LB692]

MIKE GOODWILLIE: Well, that seems to be the discussion, yes. [LB692]

SENATOR CORNETT: I mean, when we boil it down to the bare, basic bones of it. [LB692]

MIKE GOODWILLIE: Sure. [LB692]

SENATOR CORNETT: What about language that says, any communities, because I believe under the Learning Community law that we passed, it's that other communities can choose to form a Learning Community in the future. [LB692]

MIKE GOODWILLIE: Sure. [LB692]

SENATOR CORNETT: But any communities who are involved in a Learning Community, that those assessors adopt similar assessment practices. You keep your assessor's office, Sarpy County keeps their assessor's office, but you sit down and you work out similar practices, and that's how the...both counties are then assessed. [LB692]

MIKE GOODWILLIE: Are you asking for my reaction to that idea? [LB692]

SENATOR CORNETT: Yes. Do you think that that would solve some of the issues? [LB692]

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MIKE GOODWILLIE: I think it's a real interesting concept. [LB692]

SENATOR CORNETT: I mean, we're talking about property taxes, we're talking about education. [LB692]

MIKE GOODWILLIE: If you're talking about the...if you're talking about that perception, it might help that in terms of where the values are... [LB692]

SENATOR CORNETT: I'm not talking about where the values are. [LB692]

MIKE GOODWILLIE: Okay, okay. [LB692]

SENATOR CORNETT: I'm talking about both counties...any county, whether it's more than one that are involved in a common levy for a Learning Community, the assessors sit down every couple of years, get together and adopt a set or a standard for assessment for that community, Learning Community. You do your assessments based on that standard, they do their assessments based on that standard. [LB692]

MIKE GOODWILLIE: I'm really not try to quibble. I think it's an interesting idea. [LB692]

SENATOR CORNETT: No, I... [LB692]

MIKE GOODWILLIE: But by standard... [LB692]

SENATOR CORNETT: You sit down... [LB692]

MIKE GOODWILLIE: ...do you mean level of value or how many times you physically measure the property? [LB692]

SENATOR CORNETT: We could work that out. [LB692]

MIKE GOODWILLIE: Okay. [LB692]

SENATOR CORNETT: But just the idea that the assessment practices were similar. [LB692]

MIKE GOODWILLIE: I guess I'd like to see what that idea looked like but certainly wouldn't reject anything out of hand. [LB692]

SENATOR CORNETT: Okay, thank you very much. Further questions from the committee? Seeing none, thank you, Mr. Goodwillie. [LB692]

MIKE GOODWILLIE: Thank you. [LB692]

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SENATOR CORNETT: Next opponent. [LB692]

MARILYN HLADKY: Good afternoon, Madam Chairman and members of the Revenue Committee. My name is Marilyn Hladky, M-a-r-l-i-l-y-n H-l-a-d-k-y. I'm the Seward County Assessor. I'm going to speak in opposition of LB692. And I did not come prepared to speak against it at all on this bill. But when you started talking about the other 90 counties in the state, that made me feel compelled to maybe come up here and maybe explain to you a little bit, if you're talking about expanding the three-year cycle to the other counties. To just relate a little bit about Seward County, I have 10,500 parcels in my county. I am the county assessor. I do appraisals. I am not a licensed appraiser. I have a certified general appraiser, that I share with three other counties, that does all my commercial properties and helps with really difficult-type properties. I have a deputy assessor and I have two clerks. So when the six-year inspection cycle came out last year I went to my county board and said, we cannot do that with this...with the staff that we have. And they were gracious in allowing me \$14,000 in my budget to do a half-time person. As of today, I have not been able to hire that half-time person to start to do those six-year inspection cycles. Since this is our really busy time of the year with our March 19 deadline, once that passes I'm going to really go out and earnestly try to find somebody to help with the six-year inspection cycle. Assessors do a three-year plan of assessment that property tax and assessment monitors and also sends in a report that gets submitted to TERC. I kind of do that three-year assessment that I prioritize for the current year that I'm doing. And then the next year I kind of reprioritize, although I have a vague for the other two years. We can only do so much in one year. I prioritize, which is the worst areas that need the most work on them, the most reappraisal on. I establish what I call assessor locations. In my county it's going to be my ten little towns, assessor locations. So let's say one year I go and I'm going to redo town...the Milford reappraisal, but my town in Beaver Crossing has fallen out of that 92 to 100 percent range. I know percentage increases isn't the best thing, doesn't necessarily create the best assessment to do for that, but I know that if I don't make that town of Beaver Crossing somewhere between the value of the median of 92 to 100 percent, I'm going to get called in to TERC and TERC is going to raise that town for me by a percentage. And I think the statutes say they have to go to the middle of that range. So they would adjust me by a percentage up to 96. So if I was at 88, I could set it to be 92 or to 93. And that, to me, is a red flag saying, okay, Beaver Crossing has problems, next year I'm going to prioritize and say, now Beaver Crossing is going to get bumped up on my list of my inspection cycle to do that reappraisal. So I just kind of wanted to come and tell you a little bit about other processes that I do in Seward County. When we talk about agricultural land I will tell you that I have been the county assessor since 1995. I've been in the office since 1979. It has only been the year of 1996 that values on ag land have not increased. They have increased and changed every year consistently. This year I'm looking at my top irrigated to go from \$2,700, \$2,500 an acre to a minimum of \$3,300, and that only gets me to a 69.5 percent median. And I had a phone call from the

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York County Assessor yesterday. Says, Marilyn, what are you doing? And she goes, I'm looking at \$3,250 an acre on my top irrigated and I'm not even reaching my 69 level. And I said, well, I'm at \$3,300 and I'm barely there. So the assessors at least in the smaller counties, we do call each other that border us and kind of work together and try to get some kind of close values that we can. But we still work within our county's, within the market that's in our county's. And one thing I kind of wanted to make a comment on is assessors don't raise value to raise taxes, we only interpret what the buyers and sellers are doing out there and have to react to it to reach our statistical standards. So thank you. If you have any question... [LB692]

SENATOR CORNETT: Senator Adams. [LB692]

SENATOR ADAMS: Thank you, Marilyn, for being here today. Marilyn, in your county you have several cross-jurisdictional political subdivisions, ESU 6, the Seward, the Centennial School District, as an example, with considerably different tax rates. Do you hear often from taxpayers from those different entities saying, you're treating us different in York County than over here in Seward County, and our land crossed over by different school districts,...is that... [LB692]

MARILYN HLADKY: Only, only once in a great while. Only once in a great while. Centennial School District is probably my western two-thirds of Seward County. Centennial also goes up into Butler, York and a little bit over into Polk County. So, you know, we really try to coordinate those values. But when you're setting values within the sales within your county they are going to be a little bit different. So... [LB692]

SENATOR ADAMS: Thank you. [LB692]

SENATOR CORNETT: Seeing no further questions, thank you. Next opponent. How many further opponents do we have? [LB692]

JON EDWARDS: Thank you, Senator Cornett. Members of the committee, my name is Jon Edwards, J-o-n E-d-w-a-r-d-s. I'm here today representing the Nebraska Association of County Officials in opposition to LB692. And I can confess that we've gone way deeper into this subject material than my expertise can understand. But certainly our assessors have indicated to us great concern about this bill. And I think you've heard that today. And just strictly the costs associated with changing the number of years, it seems to be rather large for the three counties involved. And so with that, without taking any unnecessary time, I'll just register our opposition. I thank the committee. [LB692]

SENATOR CORNETT: Questions? Seeing none, thank you. [LB692]

JON EDWARDS: Thanks. [LB692]

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SENATOR CORNETT: Are there any further opponents? Anyone here in a neutral capacity? Seeing none, Senator Price, you are recognized to close. [LB692]

SENATOR PRICE: (Exhibit 5) Senator Cornett, committee, thank you very much for your patience and your indulgence. We've seen here today this is a complicated matter. There are lot of implications. And there's probably no way you can slice this and end up with a lot of people happy about what happens. I mean, and there are huge implications, not just the Learning Community, but across jurisdictional areas, we talked about ESUs and community colleges. I believe the community colleges are having disagreements now. And this has a part of it. All of this is interactive. But before I go any further, I want to make sure, there is a letter here from Steve Coleman, of Papillion/La Vista Public Schools, that is to be put into...read into the record. It's a letter of support, so I'll leave that here. And so again, very complex. I appreciate your indulgence, your willingness to look at this, offer ideas and suggestions to how we can come to some sort of resolution on this. But I would like to take a moment, address a few things. One thing I'd like to address is on LB519, a couple short years ago. I have the fiscal note right here in front of me. The fiscal note reads, there may be some implementation costs for certain counties, but these costs, if any, appear to be minimal. Lancaster County said, no basis upon which to disagree. Now I'll be a realist. Obviously, this is going to cost more. But what a few short years difference do we have here? This was in LB519 that was set to go two, three years. So I just would like the committee to consider that when they think about it. I mean, it's a tough subject. And I appreciate your indulgence. And we talked about models, we heard about models here. And you all know my background with weather and weather models. And a weather model can tell you if you're going to have a clear blue day and you'll have, you know, six inches of snow. Models are tough. There are a lot of inputs, there are lot of tuning and tweaking that has to happen here. But I do appreciate the people that came in behind, the assessors that came in and it helped to shed light on the impacts. And your acumen and your experiences are how we deal with this. But before us we do have a very complex problem. We have a dispirit system for doing state aid, which is a snapshot, and it's something that takes a lot of time, years to evaluate. And somehow or other if we can come to a better understanding to have valuation at that time more equally represented across the spectrum I think the state is better off. The answer is not easy, but I think we should move forward to try to find some answer to this. And again, I appreciate your time. [LB692]

SENATOR CORNETT: Senator Hadley. [LB692]

SENATOR HADLEY: Thank you, Senator Cornett. Senator Price, just a quick question. And maybe I should know this. Has there been a legal challenge to the difference in valuations between Douglas and Sarpy? Is there anything in the courts right now with... [LB692]

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SENATOR PRICE: On valuation? [LB692]

SENATOR HADLEY: ...on the Learning Community [LB692]

SENATOR PRICE: On the Learning Community, yes, there is something out there. But I'm not sure that it's on valuation. I don't know the articles of it. [LB692]

SENATOR HADLEY: Okay, I don't know, I don't know either, so... [LB692]

SENATOR CORNETT: Seeing no further...oh, I'm sorry. Okay. Seeing no further questions, thank you, Senator Price. [LB692]

SENATOR PRICE: Thank you. [LB692]

SENATOR CORNETT: With that, that closes the hearing on LB692. Could one of you call Senator...oh. Sorry about that. We'll open the hearing on LB873. [LB692]

TREVOR FITZGERALD: Thank you, Senator Cornett, members of the committee. My name is Trevor Fitzgerald, T-r-e-v-o-r F-i-t-z-g-e-r-a-l-d, introducing LB873 on behalf of Senator Giese. Senator Giese represents the 17th Legislative District, which includes Dakota, Dixon and Wayne Counties in northeast Nebraska. LB873 would amend Section 77-1716 to eliminate a second tax notice that is currently sent to owners of personal property. Because a similar notice is not sent for real property taxes, this additional notice can be confusing to taxpayers who own both real and personal property. In 1998, the property tax calendar was revised so that delinquency dates for both real and personal property taxes were harmonized. As a result of this revision, first half of taxes for both real and personal property are due on April 1 for counties with populations over 100,000 and on May 1 for all other counties. Similarly, second half taxes for both real and personal property are due on August 1 for counties with populations over 100,000 and September 1 for all other counties. Existing law requires that county officials must send notices of real and personal property taxes prior to January 1 each year, and also requires additional notices for owners of personal property. By striking the requirement that the county treasurer send a notice to personal property owners who have not paid their first half property taxes, LB873 will both prevent taxpayer confusion and potentially save counties money. Thank you for your time. And I'd be happy to try and answer any questions. [LB873]

SENATOR DIERKS: Questions for Mr. Fitzgerald? Okay, I guess that's it. Thank you. [LB873]

TREVOR FITZGERALD: Thank you, Senator Dierks. [LB873]

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SENATOR DIERKS: Anyone here in support, a proponent of LB873? [LB873]

JEAN SIDWELL: Good afternoon, members of the Revenue Committee. I'm Jean Sidwell, J-e-a-n S-i-d-w-e-l-l, and I am Buffalo County Treasurer. I am here today supporting LB873 on behalf of NACO and also the County Treasurers Association statewide. This is a very simple bill. And after hearing the complexities of the last bill, believe me, I'm feeling just a little bit like, gosh, does this really have enough meat to it, because it is really, really a simple thing that we are asking you to pass along in this bill. As previously was said, what it does is actually eliminate one mailing that goes out to taxpayers on personal property taxes only. It is good in that if we do that we're going to eliminate the cost of mailing that, the cost of running it, the cost of processing it and also importantly the confusion that the taxpayer feels when they receive that notice. They really are kind of at a loss as to why all of a sudden they get a notice before the tax is due warning them that there is going to be a distress warrant issued if they don't pay that tax by September 1. They do not receive a similar notice on real estate. And the bulk of all taxes issued are real estate. So we're sending a small number of the second notice to taxpayers. It is confusing to them and it angers them because of the language. When taxpayers read "distress warrant" they read "arrest warrant," particularly since you say the sheriff is going to issue it. So we would eliminate that problem that we have currently. Again, I would like to just ask that you support this. We are going to fully keep the taxpayer informed on the status of his taxes. He still is going to receive the original billing, and he still is going to receive a notice before we would issue a distress warrant for the sheriff to collect the taxes. So, I think, this is sufficient in notification to the taxpayers. And I would like to ask for your support for this bill today. Are there any questions? [LB873]

SENATOR DIERKS: Thank you, Jean. Questions? Do you have any idea what the savings might be postagewise for your county? [LB873]

JEAN SIDWELL: I would say in Buffalo County, and we're a midsize county, population about 50,000, we're sending out I'm saying from around \$2,500 probably each year, annually. So again, like I said, it's not a major thing but it certainly is something that is a residual law from prior times when tax dates were changed. So it's something that's just kind of hanging out there. It really would be a good time to clean it up and get rid of it. [LB873]

SENATOR DIERKS: Thank you. Any other questions? I guess that will do it. Thanks so much. [LB873]

JEAN SIDWELL: Thank you. [LB873]

SENATOR DIERKS: Next proponent, please. [LB873]

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JON EDWARDS: Good afternoon, Senator Dierks, members of the committee. My name is Jon Edwards, J-o-n E-d-w-a-r-d-s, here today representing Nebraska Association of County Officials in support of LB873. Would certainly like, again, to thank Senator Giese for bringing this bill forward for us. It is again another bill that is on our list of priorities this year that we'd really like to be able to get this technical change done this year. So we'd appreciate the committee moving this bill to the floor for discussion and a vote. Also would like to thank Senator or Treasurer Sidwell for her technical information on how this actually operates, this procedure. And we just ask that you support this technical change in the current statutory scheme. And with that, I won't take any more of your time on this bill. Thanks. [LB873]

SENATOR DIERKS: Thank you, Jon. Are there questions for Jon? You got triple duty today, didn't you? [LB873]

JON EDWARDS: Well, we're doing what we can. [LB873]

SENATOR DIERKS: I'll bet. Good. [LB873]

JON EDWARDS: Thanks. [LB873]

SENATOR DIERKS: More proponents, please. Anyone else in support of LB873? Is there opposition to LB873? Is there neutral testimony? Okay. You want to close? Closing is waived. That ends the hearing on LB873. You're up. [LB873]

SENATOR CORNETT: Senator Campbell, you're recognized to open on LB806. [LB806]

SENATOR CAMPBELL: Chairman Cornett and members of the committee, it's a pleasure to be here today. I am Senator Kathy Campbell, K-a-t-h-y C-a-m-p-b-e-l-l, and I represent the 25th Legislative District in Lincoln and Lancaster County. LB806 is a repeal of obsolete language related to the greenbelt statutes. Greenbelt statutes have a very unique status in the 25th Legislative District. So when the Lancaster County Assessor's Office came to me I was pleased because the original legislation of greenbelt was introduced by Senator Jerry Warner and was refined by Senator Ron Raikes, who repealed the recapture portion of the greenbelt, and that's really what we're dealing with. LB806 is essentially a cleanup bill in light of the fact that we no longer have recapture provisions in law when land loses its greenbelt status. These sections of the statute have become unnecessary. This language was in place to allow recapture to be triggered on the sellers of the property when an exempt entity acquired the land rather than when the exempt entity ultimately changed the use of the property to nonag use and there was obviously no private entity to pay off the resulting tax lien. Simply changing ownership to an exempt entity should not cause the property to be disqualified from greenbelt. If it is still being farmed it should obviously still qualify, regardless of who

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owns it. So today, Scott Gaines, who is with Lancaster office of Assessor and Register of Deeds, because we have a combined office in Lancaster, who brought this legislation to me is here to answer the technical questions. But it is a cleanup bill and obsolete language and should be repealed. [LB806]

SENATOR CORNETT: Questions for Senator Campbell? Will you be here for closing? [LB806]

SENATOR CAMPBELL: I'll waive closing. [LB806]

SENATOR CORNETT: Waive closing. Okay. With that, we'll open the hearing to proponents, please. [LB806]

SCOTT GAINES: Good afternoon again. My name is Scott Gaines, S-c-o-t-t G-a-i-n-e-s, deputy Lancaster County Assessor. I'd like to thank Senator Campbell for bringing this forward. In all the changes in the greenbelt statutes in the last several years, I think, this was just overlooked and it's removing two subsections that are completely unnecessary and serve no purpose anymore. And Senator Campbell did a great job of explaining it. If you have any questions I'd be happy to try to answer. [LB806]

SENATOR CORNETT: Seeing none, thank you. [LB806]

SCOTT GAINES: Thank you. [LB806]

SENATOR CORNETT: Next proponent. [LB806]

JON EDWARDS: Good afternoon, Senator Cornett, members of the committee. My name is Jon Edwards, J-o-n E-d-w-a-r-d-s. I'm here today representing the Nebraska Association of County Officials in support of LB806. Again, we thank you for your indulgence in all these technical bills today. We thank Senator Campbell for bringing this bill forward this year. And again, it's another bill for us that is a priority this year that we'd like to get moved through. So we'd appreciate you moving the bill out. And with that, I'll just register our support for the bill. And thank you again for your time and indulgence today on these bills. [LB806]

SENATOR CORNETT: Thank you. Questions from the committee? Seeing none. [LB806]

JON EDWARDS: Thank you. [LB806]

SENATOR CORNETT: Are there any further proponents? Opponents? Neutral? Senator Campbell, you waived closing. That closes the hearings for today. Yeah, very quick Exec Session, please. [LB806]