

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

[LB545]

The Committee on Appropriations met at 1:30 p.m. on Friday, March 3, 2017, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB545. Senators present: John Stinner, Chairperson; Kate Bolz, Vice Chairperson; Rob Clements; Robert Hilkemann; John Kuehn; Mike McDonnell; Tony Vargas; Dan Watermeier; and Anna Wishart. Senators absent: None.

SENATOR STINNER: Good afternoon and welcome to the Appropriations Committee hearing. My name is John Stinner. I am from Gering and represent the 48th Legislative District. I also serve as Chairman of this committee. I'd like to start off by having members do self-introductions, starting with Senator Clements. He will be here shortly. Senator McDonnell, I believe, might be in a committee presenting a bill or else he's walking in the door, one or the other. Go ahead.

SENATOR KUEHN: John Kuehn, District 38.

SENATOR STINNER: Senator Hilkemann will be with us shortly. My name is John Stinner, 48th District, Scotts Bluff County. Senator Bolz will be here shortly.

SENATOR WISHART: Senator Anna Wishart, District 27, west Lincoln.

SENATOR STINNER: Senator Vargas will be, I think, presenting in committee right now, so he will be a little late.

SENATOR WATERMEIER: Senator Watermeier, District 1.

SENATOR STINNER: Assisting the committee today is Jennifer Svehla, our committee clerk. On the cabinet to your right you'll find green testifier sheets. If you are planning to testify today, please fill out a green sign-in sheet and hand it to the page when you come up to testify. If you will not be testifying at the microphone but would want to go on record as having a position on a bill being heard, there is white sign-in sheets on the cabinet where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please silence or turn off your cell phones. Order of testimony will be either the introducer of the bill or the agency director, proponents, opponents, neutral, and if you are presenting a bill you'll have an opportunity to close. When we hear testimony regarding agencies, we will first hear from the representative of the agency or the bill introducer and we

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

will then hear testimony from anyone who wishes to speak on the agency's budget request. I ask that you spell your first name and last name for the record before you testify. Be concise. It is my request that you limit your testimony to five minutes, other than the agency director. Written materials may be distributed to committee members as exhibits while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We need 12 copies. If you have written testimony but do not have 12 copies, please raise your hand now so the page can make copies. With that, we will begin today's hearing with LB545. Senator Watermeier. [LB545]

SENATOR WATERMEIER: Thank you, Chairman Stinner and members of Appropriations. I am Senator Dan Watermeier, W-a-t-e-r-m-e-i-e-r. I'm from Syracuse, representing District 1. LB545 would increase the transfer from the General Fund to the Property Tax Credit Fund by \$200 million per year in each of the next three years. The Property Tax Credit Relief Fund, through this fund, appears as a credit on the taxpayer's property tax statement. Under the bill, the current transfer of \$224 million would increase to \$424 million in 2018, \$624 (million) in 2019, and \$824 million for the tax year of 2020. LB545 states that it is the intent of the Legislature that the fund be funded at a minimum of \$824 million in the following years. Property taxes account for approximately 48 percent of the total combined revenue from the property tax, income tax, and sales tax. LB545 is projected to lower the share of the tax burden from property taxes to approximately 40 percent. The last major tax reform of our tax system occurred in 1990. Both the sales tax and the income tax rate were increased in order to provide a substantial increase in state aid to the school districts. This was in an effort to reduce our reliance on property taxes, to fund schools, and to better balance the three-legged stool used to show how the three major taxes--sales, income, and property taxes--fund government. Now more than 25 years later we find ourselves in the very same situation. In the years preceding the passage of LB1059 in 1990, local revenue, which includes property taxes, motor vehicle taxes, and other local sources, was as high as 72 percent of total receipts for school district revenue, with state spending at approximately 23 percent. The goal of LB1059 was to reduce property taxes by 15 percent and to increase the state's contribution to 45 percent of total receipts for school district revenue. This goal was never met. In the years since the passage of LB1059, local revenue did decrease to a low of 51 percent and state revenue did increase to almost 43 (percent) at one point. Now, however, local receipts have crept back to 56 percent, with state revenue accounting for 38 percent. One problem associated with property tax relief measures that increase state aid to school districts is determining if it results in dollar-for-dollar property tax relief or if it allows for increased spending. In conjunction with LB1059, levy limitations and spending lids were put into place, but reviews were mixed as to whether it provided the actual property tax relief that was envisioned. LB545 increases funding for the Property Tax Credit Fund. This method truly does provide dollar-for-dollar property tax relief. Nebraskans pay the seventh highest property taxes in the country. Over the last ten years the valuation of ag land has increased 176 percent compared to 35 percent in residential valuation. Nebraska farmers and ranchers represent less

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

than 3 percent of the state's population but pay more than 30 percent of the total property taxes collected statewide. In the majority of the state, agricultural land comprises more than 60 percent of a school district's total valuation base. Rural landowners are disproportionately funding our rural schools, even though all residents of the school district benefit equally from having their children educated in our public schools. However, even though valuation of agricultural land has increased substantially more than other classifications of land, all property taxes are too high as total property taxes levied have grown cumulative 60 percent over the past decade. Total spending on K through 12 education from local, state, and federal sources has increased from \$1 billion 1988 to \$3.7 billion last year, with not a lot of increase in school children. Since property tax is our primary source of revenue for our K through 12 school districts, this substantial increase in school spending enhances our property tax problem. As I mentioned earlier, government services are being primarily funded by local property tax revenue at 48 percent, with 33 percent from state income taxes and 19 percent from our state sales tax. In 2000 property taxes accounted for 42 (percent), income 35 (percent), and sales tax 23 (percent) of the total revenue for governmental services. Since that time the share of revenue from the sales tax has decreased, the share of revenue from the income tax has decreased, but the share of revenue from the property tax has increased significantly. The passage of LB545 would allow this three-legged stool to become more static, more reasonable. Your question may be, how are we going to fund this much needed property tax relief? There are several options available to us. First of all I have a bill that I've introduced and prioritized. LB44 seeks to collect sales taxes on Internet sales. A conservative estimate projects an annual \$40 million increases in state revenue. I really believe this amount could be closer to \$100 million. Another option is LB312, which is introduced by Senator Briese. It seeks to expand the sales tax, tax base by taxing more services and eliminating some sales tax exemptions. LB313 would increase the state sales tax by 1 percent. These two bills combined would generate more than \$500 million, \$500 million of property tax relief. For the past five years there have been...there has, excuse me. For the past five years that I have served on the Legislature I hear from my constituents daily that their property taxes are too high. They are desperate for relief. I would assume that you have heard some of these same stories. I haven't heard from one constituent encouraging me to support income tax relief. It's time to enact significant property tax relief. We've talked about the need for property tax relief, but the time has come. I would encourage your thoughtful consideration of LB545. I would be happy to answer any questions. And I realize this is a big bite. This is a discussion. You can think of this bill as a shell bill to look at all these other bills that are coming down the pike, but this is part of the conversation. And I really do appreciate Senator Stinner letting me introduce first. I have another bill that they're waiting for me to introduce in HHS and another meeting after that, so. [LB545]

SENATOR STINNER: Thank you. Questions? Senator Wishart. [LB545]

SENATOR WISHART: Thank you, Senator Watermeier. I serve an urban district,... [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: Uh-huh. [LB545]

SENATOR WISHART: ...but this was the number one tax issue that I heard about at doors was property taxes. [LB545]

SENATOR WATERMEIER: Uh-huh. [LB545]

SENATOR WISHART: And like you, I've not heard a lot from my constituents about income taxes. They have been calling quite frequently about property taxes. So I commend you for making this a priority. [LB545]

SENATOR WATERMEIER: Excuse me. I did not make this a priority. [LB545]

SENATOR WISHART: Oh, I mean... [LB545]

SENATOR WATERMEIER: LB44 is the priority for me. [LB545]

SENATOR WISHART: I just mean a priority in terms of the policy that you're bringing. [LB545]

SENATOR WATERMEIER: Oh, okay. Okay. [LB545]

SENATOR WISHART: One of the questions I have about this specific fund is, you know, for a lot of residential homeowners, they won't see a lot back on their property taxes because this fund includes like big box stores, you know, out-of-state landowners. Can you talk a little bit to that? I mean who is included within who would get the property tax relief? [LB545]

SENATOR WATERMEIER: It really is the most inclusive way to help everybody get property tax relief. Ag land values of the total value in the state I think average...and this, I could be wrong. I know there's people behind me that study this every day. But I think currently ag land values are around 45 percent of the value in the state. Residential is around 35 to 40 (percent), and commercial makes up the balance. So when you add to the property tax credit, which are at \$224 million today, that is equally distributed to all of the entities, except there was a bill last year that prioritized ag at the 100 percent level instead of the 75 (percent) that it's at. [LB545]

SENATOR WISHART: Okay. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: So it is still the most fair way to get property tax in every single person's pocket. It comes right off there. But you're correct in the fact that it goes to an out-of-state owner that owns land. If they live outstate, they're going to have the same,... [LB545]

SENATOR WISHART: Okay. [LB545]

SENATOR WATERMEIER: ...you know, reduction in their value... [LB545]

SENATOR WISHART: Okay. [LB545]

SENATOR WATERMEIER: ...or in their assessment. [LB545]

SENATOR STINNER: Thank you. Senator Hilkemann. [LB545]

SENATOR HILKEMANN: Senator Watermeier, how many...what percent of the property tax relief leaves the state? [LB545]

SENATOR WATERMEIER: Oh, gosh, we talked about that in LB44 for some reason or another and I don't know, but it's significant. It is. [LB545]

SENATOR HILKEMANN: Forty-four percent. [LB545]

SENATOR WATERMEIER: That much? [LB545]

SENATOR HILKEMANN: Forty-four percent. [LB545]

SENATOR WATERMEIER: You're talking about residential, ag, and commercial, or 44 percent of the ag land? [LB545]

SENATOR HILKEMANN: The property tax credit. [LB545]

SENATOR WATERMEIER: It does that much of it? [LB545]

SENATOR HILKEMANN: Yeah. I'll share that. [LB545]

SENATOR WATERMEIER: I won't deny that. That's very possible. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR HILKEMANN: So I don't understand quite. You say this is a dollar for dollar. [LB545]

SENATOR WATERMEIER: Uh-huh. [LB545]

SENATOR HILKEMANN: What do you mean by dollar for dollar? [LB545]

SENATOR WATERMEIER: Well, if you put dollars into the state aid formula, it has to come back to the property owner after the school has spent it and then hoping that they will reduce their property tax valuation or the mill levy that they ask for. When it comes into the Property Tax Credit Fund, and if you notice on our balance sheet what we do, we exclude this actually from spending. When we transfer dollars out of the General Fund, it goes straight into the Property Tax Credit Fund. Those dollars, those \$224 million, do not count towards our annual spending, but they're right on your tax statement. They're dollar for dollar. [LB545]

SENATOR HILKEMANN: Right. [LB545]

SENATOR WATERMEIER: There's no government inefficiencies handling it. You're not giving it to the school district with the idea that they would reduce their levy someday. It's dollar for dollar. That's what I mean by that. [LB545]

SENATOR HILKEMANN: That's how you (inaudible). [LB545]

SENATOR WATERMEIER: I think that's accurate. That's the way I would describe it. [LB545]

SENATOR HILKEMANN: Are you aware of the huge disparity between what's happening in rural land values in contrast what's happening in suburban or urban areas such as I serve? [LB545]

SENATOR WATERMEIER: Uh-huh. I am. And I'm sympathetic to everybody. That's why this bill doesn't specifically go to ag land values. It talks about the entire property tax credit. You know, the ag land values have gone up 76...176 percent while the residential has given up about...gone up about 35 percent. But I'm trying to reach everybody and that's the only way we're going to get buy-in, so. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR HILKEMANN: Are you...I can just share personally that my personal property tax on my home, which is valued about a third the value of my farm, is double what I'm paying in property tax on my farm. [LB545]

SENATOR WATERMEIER: Your resident (sic--residence) is a third of the value as your farm... [LB545]

SENATOR HILKEMANN: That's correct. [LB545]

SENATOR WATERMEIER: But then you got some personal property tax in there with the value of the home itself, not just the real estate value. [LB545]

SENATOR HILKEMANN: That's correct. [LB545]

SENATOR WATERMEIER: Yes. Okay. [LB545]

SENATOR HILKEMANN: But I'm...but that's how this real estate property tax reserve fund works. [LB545]

SENATOR WATERMEIER: Uh-huh. [LB545]

SENATOR HILKEMANN: It just comes off of the...I mean what I'm thinking is that this is not really fair to urban residents in comparison to... [LB545]

SENATOR WATERMEIER: The value in the formula in this state, I can get that for you, the exact numbers, and you and I will have a conversation about this off mike. This, it's clearly defined what the ag land value is year to year compared to the residential value compared to the commercial. And when it goes back into that formula, it's dollar for dollar except for the exchange we made last year on the ag land value because, I forget the exact, but it ended up like \$18 million I think, 24. [LB545]

SENATOR HILKEMANN: So what your bill, by 2020...and, believe me, I am not...I don't like paying my property taxes either and I'd like to see us...I mean I think this is a discussion that we need to have. But I'm not so certain that the Property Tax Relief Fund is right, is the right way to go, because this was, as we discussed it in my first two sessions here on this, on this committee, we added \$62 million the first year, and \$62 (million) for \$128 million, because we had excess money in the rainy day fund at that time. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: Uh-huh. [LB545]

SENATOR HILKEMANN: So if you had excess money, that's how this was going to be. Now as I understand your bill, this is not if we have excess money. This becomes the need. And if you do that, if you...your bill and 2020 you're coming up to \$824 million is what you're saying... [LB545]

SENATOR WATERMEIER: Uh-huh. Uh-huh. [LB545]

SENATOR HILKEMANN: ...that you have, did you realize that if we used...from what we've just gotten done that will be the number two highest requirement of our budget process? [LB545]

SENATOR WATERMEIER: That's right, it would be. But also, the education funding would be changing at the same time. What I'm trying to do is recognize the issue of where the schools are being funded, where all governmental services are being funded. That's what I'm bringing to issue with this bill. [LB545]

SENATOR HILKEMANN: So you're thinking it would be better to put this in property tax relief rather than funding Medicaid, funding our university and our TEEOSA formula? [LB545]

SENATOR WATERMEIER: I'm not determining the prioritization of what you're talking about. I'm saying how we're funding our governments today are unbalanced, and this bill recognizes that. [LB545]

SENATOR HILKEMANN: Okay. [LB545]

SENATOR STINNER: Additional questions? Senator Bolz. [LB545]

SENATOR BOLZ: So over our four years serving in the body, we've put significant resources into the Property Tax Credit Program and, yet, it doesn't seem to be making the depth of difference that is necessary because, if it had, you wouldn't bring a bill with such a significant fiscal request. And so I guess I just have to ask: Is the Property Tax Credit Program best practice policy? Wouldn't it be better to try to have this conversation through the Revenue Committee to try to find a better practice policy that would lead to the property tax relief that I think you're really looking for? [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: It's certainly an issue inside of Revenue, inside of Education. Senator Groene's bill, LB640, talks about how the Property Tax Credit Fund is used. But if I'm off on my numbers--I could very well be--but I believe the Property Tax Credit Fund is about 8 percent, 6 to 8 percent of the total valuation of our property taxes. So it's about a 5 to 8 percent rebate, as you would say, on our property taxes. And yet we have increased it significantly, but it's gone up because our government spending has gone up. So it recognizes that, that it hasn't kept up. That's what I'm...I mean you're recognizing the problem. [LB545]

SENATOR BOLZ: Just for my...just for my ability to think it through for how it might impact my district, what would the current property tax credit for a home worth about \$150,000 be? What would the ballpark (inaudible)? [LB545]

SENATOR WATERMEIER: Oh, gosh, Senator, I'm sorry, I can't come up with that. I wouldn't be able to come up with that off the top of my head. I always have these numbers, in general, 5 to 6 percent of what we're at now. Two hundred million takes about...I think the valuation in the state is \$4 trillion. I forget the numbers. I'm sorry. I haven't thought about it in that terms. I'll put that on paper sometime and we can talk about it. [LB545]

SENATOR BOLZ: I mean I guess that number plus the number that you're suggesting we put in, I still don't think leads to significant property tax relief for the homeowner. I still don't know that that dollar amount is going to move the dial for a voter in my district. It's probably not more than a couple hundred bucks, right? [LB545]

SENATOR WATERMEIER: Oh, no, it would be more than that I would think. But what I will tell you, though, is it's based off dollar...when I say dollar for dollar, if you have a \$200,000 home, and you have a \$200,000 commercial property, they're going to come off dollar for dollar. [LB545]

SENATOR BOLZ: But you said... [LB545]

SENATOR WATERMEIER: That's the... [LB545]

SENATOR BOLZ: ...you said it was about 10 percent so... [LB545]

SENATOR WATERMEIER: I'm thinking it's even less than that. [LB545]

SENATOR BOLZ: Okay. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: The total Property Tax Credit Fund is less than 10 percent of the valuation of the liability in the state for property taxes. [LB545]

SENATOR BOLZ: My other question is, did your Internet sales tax bill direct the resources that would be gained to this purpose? [LB545]

SENATOR WATERMEIER: It did not because I felt it was fair to have that debate on the floor. I didn't want to have a fight inside of Revenue to get it out of that committee. I really would have...I've had several constituents that were disappointed with me to not mandate that in the bill, write it in the bill that it would go strictly to property tax credit. I really felt like it was fair to have it in the General Funds. If we would have had catalog sales, think back 40 years ago, if we'd have had catalog sales, mail order sales then and now Internet sales, they would have been in our General Fund and we would have not known any different today. [LB545]

SENATOR BOLZ: Yeah. I mean I guess it's that I'm having a hard time getting my head around that, because if you're bringing this to us because it is just a high priority, I'm not sure why we...why, if you're bringing those other resources to bear, why you wouldn't put them towards that specific priority. [LB545]

SENATOR WATERMEIER: I, to be honest, just recognizing the political reality of getting things out of a bill. We can earmark these dollars in there, plus you need to know what the dollar amount actually is. We could do it in this committee as easy. [LB545]

SENATOR BOLZ: And you sort of talked about this, but I'd like to talk about it for just a minute more. How did you come to this \$200 million per year number? I mean we all saw the fiscal forecasts. We know the pressures of things like Corrections. How did you arrive at this number? [LB545]

SENATOR WATERMEIER: It comes back to the equalization. If you remember my opening testimony, I think I was trying...in 1988 they were trying to get property taxes value down to 40 percent. This gets us down to 40 percent. I'm going to make sure on that. That's the goal we used. That's the goal we used. [LB545]

SENATOR BOLZ: I...yes, I can appreciate that you targeted (inaudible)... [LB545]

SENATOR WATERMEIER: Yeah. [LB545]

SENATOR BOLZ: ...goal. It's (inaudible). [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WATERMEIER: We didn't just pick out the \$200 million and \$600 (million) total. We were shooting for that equalization and that three-legged stool. [LB545]

SENATOR BOLZ: I can appreciate that. I think it's an awfully tough year to appreciate. [LB545]

SENATOR WATERMEIER: Oh, (laugh) no doubt about it. Senator Stinner is the magician. [LB545]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [LB545]

SENATOR WATERMEIER: Thank you. I am not going to be able to be here to close. I would love to listen to the testimony today but I'm going to have to go on to HHS and their room was crowded when I left there a few minutes ago. All right. Thank you. [LB545]

SENATOR STINNER: Thank you. Any additional proponents? Good afternoon. [LB545]

MERLYN NIELSEN: Good afternoon, Senator Stinner and members of the Appropriations Committee. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n. I'm a farmer and former UNL professor from Seward, Nebraska, and I'm here testifying on behalf of the Agricultural Leaders Working Group in support of LB545. The Ag Leaders Working Group, which is made up of elected leaders of Nebraska Cattlemen, Nebraska Corn Growers, Nebraska Farm Bureau, Nebraska Pork Producers, Nebraska Soybean Growers, and the Nebraska State Dairy Association, would like to thank Senator Watermeier for offering this bill and his efforts to address our property tax crisis. We'd also like to thank the Appropriations Committee for proposing to keep the Property Tax Credit Fund at its current level for the next biennium. We have a billion-dollar tax imbalance in the state, and property taxes pay for close to 50 percent of our state and local priorities. Over the last ten years, property taxes levied on agricultural land have gone up 164 percent, residential is up 30 percent, and commercial property is up 43 percent. Where I live in Seward County, taxes levied on bare farm ground have increased 288 percent, while homes in town and in the country have increased 36 percent. While one of the principles of the Ag Leaders Working Group states that collections from property, sales, and income taxes should share the burden and none of the three should exceed 35 percent of the tax liability, agriculture stakeholders are asking the Legislature for at least \$600 million to bring the property tax leg of that three-legged tax stool down to 40 percent. That's what this bill really represents. Property taxes have taken on a greater role in supporting state and local government services. In fact, local revenues from property taxes have increased at about twice the rate of growth of state revenues from income and sales taxes. Our members believe more taxpayers should have a stake in funding the state's priorities, and our organization support expanding the collection of sales taxes in an effort to reduce property taxes. We are not asking for the state to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

correct our tax imbalance and unfairness overnight. And we're willing to work with this committee and other policymakers to find workable solutions. Under our current structure, the Property Tax Credit Fund is the fairest and best way of providing property tax relief to agriculture, residential, and commercial property owners. Minus a solution which provides at least the same amount of relief, we would ask the committee to support LB545 to send more dollars to the Property Tax Credit Fund. Wish to thank again Senator Watermeier for introducing this bill and to the committee members for allowing me this time to testify. And I would invite questions. [LB545]

SENATOR STINNER: Thank you. Any questions? Senator Hilkemann. [LB545]

MERLYN NIELSEN: Yes. [LB545]

SENATOR HILKEMANN: We've noted farm prices have gone up substantially in the last four to five years. And as an owner of farm property, I hope it stays kind of where it is right now. But that's probably not likely. If property values go back down to where they were in, say, 2005-2006, what happens to this? What happens to this fund? [LB545]

MERLYN NIELSEN: It would still be there unless the Legislature changes it at some point in the future. But it would still be there to give relief across the board to everybody because it's...they would credit back both or to commercial as well as residential in addition to agricultural landowners. [LB545]

SENATOR HILKEMANN: So...but it, at the present time, the Property Tax Relief Fund is set up as if we have excess income we put into this fund. That's how it was described to me. It wasn't a mandate. What I'm seeing in this bill is that this a mandate. [LB545]

MERLYN NIELSEN: I don't feel that I can comment on whether it's a mandate or not because I'd have to go back and do more research work than I have done. I think... [LB545]

SENATOR HILKEMANN: I think it says that the max it will put in by 2028... [LB545]

MERLYN NIELSEN: Come up to \$824 (million). [LB545]

SENATOR HILKEMANN: ...put in \$847 million by that period of time. [LB545]

MERLYN NIELSEN: At the end of the three years. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR HILKEMANN: So it's not a matter of if we have extra revenue, so. [LB545]

MERLYN NIELSEN: Right. It would become part of the General Fund budget, is the way I would understand it. [LB545]

SENATOR HILKEMANN: I'm sorry. I should have asked that question of Senator Watermeier, if he would be willing to at least adopt it so that if the funds...this, from what I'm reading in this bill, it's not if the funds are available. It is we put these funds in. [LB545]

MERLYN NIELSEN: Uh-huh. And that's why not only did Senator Watermeier comment on this but I did as well, that raising sales taxes has to come along as well to put some balance. We don't have anything near a three-legged stool right now. When you've got 48-49 percent of our state and local taxes coming from property taxes and less than, I forget what the last number I've seen on sales tax, it's like 16 to 18 percent, that's nowhere near balanced across the taxes that we pay. [LB545]

SENATOR HILKEMANN: Well, you'll get no argument from me in the sense that I think we need to work on our tax issue. [LB545]

MERLYN NIELSEN: Yeah. [LB545]

SENATOR HILKEMANN: I'm just not so certain that this is the proper avenue for doing it. I'm not so sure that this is fair to both residential and to the rural, at least I don't...when I look at my own situation, we have to address...that's fine. That's my own personal bias, I guess, at this point. [LB545]

MERLYN NIELSEN: The comment you made earlier, is your home in Omaha in the same taxing district, school district, etcetera, as your agricultural land? [LB545]

SENATOR HILKEMANN: No. [LB545]

MERLYN NIELSEN: Is there a mill levy difference between them? [LB545]

SENATOR HILKEMANN: Yes. [LB545]

MERLYN NIELSEN: Okay. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR STINNER: Senator Bolz. [LB545]

SENATOR BOLZ: So we've heard this bill the last four years. I think I even brought a version of this bill because we've always tried to do something for property tax relief. And I guess my question is, does this one finally solve the problem? [LB545]

MERLYN NIELSEN: I think there are many alternatives that could solve the problem. This one works toward getting that, at least \$600 million, over a three-year period off of property taxpayers of all forms into...again, to be revenue neutral it has to come from some other form, which it would have to come from sales tax. [LB545]

SENATOR BOLZ: Well, and I'll ask you the same question I asked Senator Watermeier. Is Appropriations the committee that can ultimately get to the solution for this problem, or is it that we need different revenue policy that actually gets to the heart of the matter? [LB545]

MERLYN NIELSEN: I would think you'd need changes in revenue policy as well. [LB545]

SENATOR BOLZ: And what are those changes that you think we should do? What are you proposing in terms of changed revenue policy? [LB545]

MERLYN NIELSEN: Increase sales taxes. [LB545]

SENATOR BOLZ: Which ones? [LB545]

MERLYN NIELSEN: The LB312 and LB313 that came up last week, as were reviewed by the Revenue Committee. If I remember right and keep my numbers straight, LB312 is the one that has several exemptions that we have right now in our tax base, they would come into our tax base... [LB545]

SENATOR BOLZ: Uh-huh. [LB545]

MERLYN NIELSEN: ...by removing those exemptions. That would be the first place I'd look. [LB545]

SENATOR BOLZ: Uh-huh. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

MERLYN NIELSEN: And then, of course, you've got just across-the-board rate of taxing increase. That's the other bill, I think LB313 if I've got my numbers straight. [LB545]

SENATOR BOLZ: Sure. Sure. What are the exemptions specifically that you support? [LB545]

MERLYN NIELSEN: And then Senator Watermeier talked about the one that he's proposed which is the Internet sales. [LB545]

SENATOR BOLZ: Sure. Sure. So what exemptions specifically do you support, because you're representing a group of... [LB545]

MERLYN NIELSEN: Uh-huh. [LB545]

SENATOR BOLZ: ...industry representatives? So what's on your short list? [LB545]

MERLYN NIELSEN: I'd have to go over those real carefully. I didn't bring my list with me. [LB545]

SENATOR BOLZ: Okay. Another question I have is, you know, when we're thinking about tax and tax incentive policy in the body as a whole, in this committee, you know, I think about that connection to economic growth. So we have our tax incentive programs that, while they need improvement, are directed at growing the economy. We also think about that when we think of expenditures in this committee. [LB545]

MERLYN NIELSEN: Uh-huh. [LB545]

SENATOR BOLZ: The university is an economic driver. It helps us to build our economy. Does this proposal, in your point of view, does this proposal grow the economy? Will you be able to sell and produce more soybeans and more corn if this goes through? [LB545]

MERLYN NIELSEN: What wonderful question, Senator Bolz. Let me give you a real, real personal one because it affects me. I raise cattle. I raise cattle in Seward County. That takes about 3.5 acres of grass in Seward County, if managed well, to raise a cow-calf pair for about six months of the summer. The property taxes on that are \$90. I've got a real close buddy that has land in...just north of Wichita. Takes about six acres there. Taxes are 80 cents a year per acre, so it's \$5 for the tax portion of the production cost to raise a cow-calf pair in southern Kansas, where I'm paying \$90. That's 18 to 1. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR BOLZ: Sure. Respectfully, and... [LB545]

MERLYN NIELSEN: So that's a business incentive thing... [LB545]

SENATOR BOLZ: Yeah. Right. [LB545]

MERLYN NIELSEN: ...or disincentive from my standpoint. [LB545]

SENATOR BOLZ: Right. Respectfully, I'm asking you these questions because you're representing a group of industry so I'm not asking you these questions as though you're an individual taxpayer. I'm asking you the question in the role that you presented yourself to. So is there a study that shows that there's return on investment, that economic growth has been proven to have occurred as a result of our previous Property Tax Credit Program investments? [LB545]

MERLYN NIELSEN: That's an excellent question. I don't have the answer for you on that one. [LB545]

SENATOR BOLZ: Okay. Thank you. [LB545]

MERLYN NIELSEN: Yeah. You're welcome. [LB545]

SENATOR STINNER: Senator Wishart. [LB545]

SENATOR WISHART: So you mentioned sales taxes. Why not...I didn't hear you mention income tax. Can you talk a little bit about why your organization isn't looking at income taxes? [LB545]

MERLYN NIELSEN: Okay. It goes back to the general belief that balance between the three main taxing rolls or three main taxing sources that we have should be kept in balance. So the Ag Leaders Working Group has asked for the state to consider trying to get those more in balance with no one leg contributing more than 35 percent when we get there, down the road. So if you've got property tax paying 48-49 percent and you've got sales tax at 17-18 percent--and again, I'm not sure I've got the exact numbers but they're close enough--and then you've got income tax in the high 20s I believe. I have to do my arithmetic quickly. Why, the obvious one, if you want to lower property tax, you have to raise sales tax. And sales tax is spread across all folks and I don't have to buy things if I don't want to, so that gives me some degree of choice on large expenditures if tax is a challenge for me. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR WISHART: Okay. [LB545]

SENATOR STINNER: I have a couple questions. One of them is on the sales tax concept. Do you believe in the concept that...and you just said that all...it covers all folks. Is that a regressive tax then? [LB545]

MERLYN NIELSEN: I hear that language a lot. I'm not sure I would call it regressive though. [LB545]

SENATOR STINNER: But it impacts the lowest income people the hardest. You would agree with that or wouldn't you agree with that? [LB545]

MERLYN NIELSEN: As a proportion of their expendable income to meet their basic requirements, that might be true. I'd have to go do some reading, do some analysis on that. [LB545]

SENATOR STINNER: Okay. There's a revenue report out by our Department of Revenue and it talked about economic development. It talked about the power of \$1 coming back in taxes on income tax versus sales tax. And it showed that sales tax has a much more powerful impact, when you cut sales tax, on the economy as opposed to an income tax. That said, if I reverse it the other way and say we're going to raise sales tax by 1 percent, given the situation economically that we're in today which sure looks like a recession from where I sit, what would ever...why would we ever want to raise taxes on sales tax that has this big impact on economic development in the middle of a recession? [LB545]

MERLYN NIELSEN: You raise a good question. What I'd bring you back to look at the agricultural sector and how this state seems to go. When commodity prices for grains as well as livestock are strong and the money is being made in agriculture sector, why, tax money flows to the state and the state budget looks really good. Right now we're suffering in...with lower commodity prices across the board in agriculture and, yet, property tax is there to be paid every year in agriculture. [LB545]

SENATOR STINNER: Those are some of the issues that we have to explain. We have, every time we take a look at a classification on sales tax exemption, we get a whole line of folks. Then we've got the economy to deal with and the timing of legislation, those types of things will impact what we're doing. And I don't disagree that there's been a shift toward property tax. I mean it's pretty obvious. But all folks have to pay sales tax where a lot of those folks don't own

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

real estate. And apparently we've got a huge percentage that own real estate that are not even in our state. So it's a little bit of a head scratcher for me. Senator Wishart. [LB545]

SENATOR WISHART: Well, just jumping off of Senator Stinner, what he mentioned, are you concerned at all about the 44 percent of this relief fund that goes out of state? [LB545]

MERLYN NIELSEN: I'm glad you asked that question. No, and I'll tell you why. Do those folks get to vote on anything? Do they get to vote on what level of taxes we have? Do they get to vote on school board members or county board members that use...set budgets for use of property taxes locally? They don't get a single vote on that. [LB545]

SENATOR WISHART: Okay. [LB545]

SENATOR STINNER: Any additional questions? Senator Hilkemann. [LB545]

SENATOR HILKEMANN: Yeah. When you...what was the numbers that you used? You had some numbers that you used about the statewide valuation for ag land. What was that percentage? [LB545]

MERLYN NIELSEN: Property taxes levied on agricultural land have gone up 164 percent over ten years, residential... [LB545]

SENATOR HILKEMANN: But what percentage of the statewide valuation does ag land represent? [LB545]

MERLYN NIELSEN: Oh, ag land, when I've looked at Table 19 put out by the Department of Revenue of our state, ag land is about...that's bare ag land, bare ag land with no buildings on it or anything is right at 30 percent of the total, whereas residential, which would include residences on ag land for farms and/or acreages as well as those in urban areas, are around 44 percent. And commercial makes up a good portion of what's left. It's like 24 (percent), 20 (percent), something like that. [LB545]

SENATOR HILKEMANN: According to some data I was just given here, I got this from the OpenSky saying that the 2016 statewide valuations: 42 percent is ag land, 36 percent residential, commercial is 13. [LB545]

MERLYN NIELSEN: Uh-huh. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR HILKEMANN: And as far as the statewide taxes, 31 percent is paid by ag land, 45 percent by residential, and 16 by commercial. [LB545]

MERLYN NIELSEN: So evidently I was quoting the percent of the taxes paid because I think those match up closer, the numbers you just gave, Senator Hilkemann, that sound right, as opposed to valuation? I think the numbers I was quoting look closer so I might have confused whether it's... [LB545]

SENATOR HILKEMANN: Statewide tax, right. [LB545]

MERLYN NIELSEN: ...tax dollars or valuation. Yeah. [LB545]

SENATOR HILKEMANN: Right. [LB545]

SENATOR STINNER: Any additional questions? Seeing none, thank you. [LB545]

MERLYN NIELSEN: Thank you very much. [LB545]

SENATOR STINNER: Any additional proponents? Welcome. [LB545]

DENNIS SCHUSTER: My name is Dennis, D-e-n-n-i-s, Schuster, S-c-h-u-s-t-e-r. I don't have any prepared statement but I'm...basically I support what Senator Watermeier, he's in my district, and I basically support what he's trying to do. Property taxes are out of line for agriculture out here. I just was down at the Education Department three, four days ago and I think, far as I'm concerned, if we want to get things straightened out in this state let's do something with TEEOSA funding. We're completely out of line what TEEOSA funding is doing to agriculture versus Omaha and Lincoln. The reason I make that statement, this year we were only up 6 percent...\$6,000, \$600,000, and the needs was up to...excuse me. Just give me a second here and I'll get my figures. But last year as far as what was going on in the state, we went up, think it was 973. This year it's about 980-something total state aid. Equalization aid was...I'll get that new one here. Here we go. Last year it was...this year it's 900...about \$600 million up. Equalization aid was 800, this year it's 883 million, last year it was 863 million, up about 19. It's a difference of about \$19 million. What I'm finding out, where is all this money going? I've always...because right now we've got 170 schools that do not get any equalization aid. The Learning Community in Omaha got \$24 million from last...this year. Lincoln got about \$1.2-\$1.3 million. We got schools in our area that got cut. Like I say, my school doesn't have any equalization aid but I know like Auburn School District, they got cut \$600,000, and that's a substantial amount of equalization aid that got cut. So what I'm saying is we're about...if we can just get like 200

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

million, what the senator was talking about, and put it in as a rebate back to me and you on your property taxes, I think that's a fair way to do it. Senator, you mentioned putting it in TEEOSA. I don't want it TEEOSA. We pay our sales tax. We pay our property...we pay sales tax, we pay income tax out in the country. It comes up here to the state but it doesn't come back down to us again as far as state aid. It stays up in Lincoln and Omaha and that, to me, is a real burden and shift. You're talking about the sales tax. Governor Heineman, what was it, ten years ago let the cities and towns put a 1, 2 percent sales tax, support their communities, support their town. Well, I as a person in the rural area, I go like to Beatrice or to Lincoln and I buy some stuff. I'm supporting that town. My sales tax that I'm buying, when I buy goods, supports that town. And just like Lincoln when they put the big Pinnacle complex out here, what did they do? Occupation tax--put another tax on food when you're in town here. Well, look at what that revenue, look at what the state tournaments do to help that revenue. All these schools from outside come in and like this week, next weekend. What I'm saying is to me that...you're taking from us; we don't get nothing back. So what the thing here is if we can wrench this thing down and gradually give us tax relief on our property, and I'm not talking only land, I'm talking you people in town because I know your valuations have went up quite a bit from what I'm hearing this year and...or the last, you know. But ours have been going up for the last ten. I mean we had valuation increases up to 170, places up to 200 percent. So as ag goes up our property tax go down. According to TEEOSA funding, we're land rich so we don't get any of the money. So where does it stay? It says in Lincoln and Omaha and it goes for theirs. Right now, Omaha Learning Community is getting right at...they got 45 percent of students, they got 119,000 students, and they've got...they're getting \$471,000 on equalization aid, not the full tax, on equalization aid. That's a 40 to about a 53 in equalization aid the rest of the state is not getting. So I've always felt, you know, we could do this but until we do something with this TEEOSA fund formula in the state and get it more fair and equal for every student, right now we got 67,000 students do not get any equalization aid. If you took that and the rest of the state, it averages up about \$3,600 a student. The rural sector doesn't get any. If you took all the students and divided up equalization aid and that, every student would get \$2,900. Now that's more fair to me than it is, \$3,600 and we don't get nothing. And I would enjoy taking some questions because I got some more answers.
[LB545]

SENATOR STINNER: Okay. Any questions? Senator Bolz. [LB545]

SENATOR BOLZ: Thanks for coming down today. I grew up in Senator Watermeier's district. Out of curiosity, where are you from? [LB545]

DENNIS SCHUSTER: I'm in...I'm Lewiston, Nebraska. I'm a school board member of Lewiston school. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR BOLZ: Say again? [LB545]

DENNIS SCHUSTER: Lewiston school. I live about two miles east of Lewiston, Nebraska. [LB545]

SENATOR BOLZ: Lewiston, okay. [LB545]

SENATOR HILKEMANN: Lewiston. [LB545]

DENNIS SCHUSTER: And I'm a school board member down there. [LB545]

SENATOR BOLZ: Very good. Well, just (inaudible). [LB545]

DENNIS SCHUSTER: Where are you from, ma'am? [LB545]

SENATOR BOLZ: I grew up in Palmyra. [LB545]

DENNIS SCHUSTER: Oh, okay. [LB545]

SENATOR BOLZ: But just a comment rather than a question, is I really appreciate that you are on the school board down there because I think that's a really important part of local control and keeping spending reasonable. My hometown had a bond issue that,... [LB545]

DENNIS SCHUSTER: I know. [LB545]

SENATOR BOLZ: ...as someone who's beginning to become a landowner, I'm starting to have a portion of the family farm, I really disagreed with that bond issue. I thought that it was too excessive. I thought that we shouldn't have had the athletic facilities as a part of that bond. I really supported the preschool classrooms, for example, but I thought the whole package wasn't necessarily what it should be. So I really appreciate your school board service because I think that's one of the ways that we manage property tax relief. Thank you, sir. [LB545]

DENNIS SCHUSTER: Thank you. [LB545]

SENATOR STINNER: Thank you. Any additional questions? Senator Hilkemann. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR HILKEMANN: Any discussions about putting a county school together in Pawnee County? [LB545]

DENNIS SCHUSTER: We, our school district, Senator, is a 50-mile radius. We did our consolidation. We took in six communities back in the '50s and early '60s. So we've got a heck of a radius there. We've got kids that are coming further than that, kind of from one end. We have talked about, when our school burned down 50 years ago, at that time before we did...you know, we'd bring the districts in, we tried to go in with, have a county school with Humboldt...I mean with Table Rock and Pawnee. It didn't work. I know that's an issue, these little prides, but we've built our...but it's amazing. We had trouble getting students. We don't have the kids out there. We...and do you want to truck them 80-90 miles away, little kindergarten kid that far? Can't do it. So we're struggling. We're keeping our school open. We added new facilities for our pre-K, 4 and 3. State, we started that program when it first came out. We had a donor come in there and give us \$65,000 a year to start that program and the state didn't pay for it. Now, you know, they pay for the 4th graders (sic--four-year-olds) but not the 3rd graders (sic--three-year-olds). I think that's the situation. But what I'm saying is we started that program there. The state comes in and says: Well, you ain't got enough room for those kids; they ain't got enough sunlight. You got to have so many square feet per kid, per child. I shouldn't say kids, per child. Okay, we put a bond in...or we didn't do a bond, just a little one, because we had some money sitting aside in a slush fund and that. And so we built two pre-K rooms on plus we did a science room and a couple other rooms for about \$1.6. You know, we kept it down and all that. We got it in there. We got wonderful facilities. We're getting a lot of kids of Beatrice, pre-K kids from Beatrice coming over. We're getting other kids from Beatrice, which is helping. We're getting the option, we're using the option funding program, but that's what's help keeping our school going. And that's a thing; we're doing everything. When I got on the board there, and I'm not trying to brag for myself, sir, but we had a mill levy for the last three years of 98 mills. Valuation was going up 10-15 percent. And I went in there and said, what's going on, enough is enough. I go on up here, state; got all my information. I found out what was going on and that. I got voted on the school board and we're down to 63 mills now. That's about \$10-12 an acre for me. And we're doing the proper job of education and everything like that. So what I'm saying is they...the state comes in here, this addition, you know, for pre-K and everybody is starting their pre-K program but they've got to do it because the state said. They got to add or build on because the state says you got to have so much sunlight and all that in here and so many square foot per child and all that. Well, there again, that's an unfunded mandate again. We constantly have those. I came back last week and unfunded mandate again--you got to give these teachers 2 percent. And I have no qualms with that, but what's killing us is 8 to 10 percent insurance on these teachers increase. Well, there you get that in there, what are we as a school board going to do? We got to do it, but then where is the revenue going to come from? It will probably come from the taxpayer. But that's something we have no control over. We have no control over it. And that is constantly what's happening in these rural schools, it's these unfunded mandates. And then you keep taking

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

state aid away from us. I mean like Wymore's district down there, you took over \$800,000 of state aid away from them. That's a big hit in that community, in that district. And this is what's happening all the time. And what really ticks me, when you see it all going to Lincoln and Omaha up here. Right now Omaha's state aid is 40 percent of their students' education. I think it's about \$9,000 a student, what it's costing. And they're getting about \$4,000, a little over \$4,000. So is that fair? [LB545]

SENATOR HILKEMANN: What's the cost per pupil? This is not directly related to this, but what's your cost per pupil at Lewiston? [LB545]

DENNIS SCHUSTER: About \$12,000. I got, if you want to know every school, what their costs are and all that, you can get it off...I've got it there. I've got it for every school in the state what it cost. It's this sheet right here. You can find every school in the state. [LB545]

SENATOR HILKEMANN: See, I'm familiar with your area. I used to teach in Table Rock. [LB545]

DENNIS SCHUSTER: Oh, good. They've done a wonderful job but their cost is a little higher than Lewiston is right now. [LB545]

SENATOR HILKEMANN: They consolidated with Humboldt. [LB545]

DENNIS SCHUSTER: Humboldt, right. [LB545]

SENATOR HILKEMANN: They didn't go to the countywide. [LB545]

DENNIS SCHUSTER: Uh-huh. Uh-huh. Young man that I helped start farming, that his wife is a special ed teacher there at Table Rock, so, special ed teacher at Table Rock school district. No, I appeal to the senators. We got a problem in this state. I've been up here quite a few times. We got to get something done and I hope somehow, I don't know how you're going to do it, but something has got to get done because it is...you're talking economic development. Excuse me. That there you could pretty well tell what's happened to the state because agriculture has just went down. Five, six years ago we was carrying the state because you had your recession, and now we're down, really down on the seller, but the state is coming down with it. So that goes to show you how important agriculture economy is to this state. And as ag business, ag economy goes, so goes the state, and it will happen every time. So if there's any more questions. Yes, sir. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR CLEMENTS: I'm...you just were saying that Omaha state aid was \$9,000 per student. [LB545]

DENNIS SCHUSTER: No, it was \$4,000 something. [LB545]

SENATOR CLEMENTS: Oh, okay, I thought you said \$9,000. [LB545]

DENNIS SCHUSTER: No, the cost of educating them is about \$9,000. [LB545]

SENATOR CLEMENTS: Oh, okay. [LB545]

DENNIS SCHUSTER: About \$9,000 to educate them but they're getting state aid of about... [LB545]

SENATOR CLEMENTS: But they have about \$9,000 in costs and \$4,000 of state aid. [LB545]

DENNIS SCHUSTER: Yeah. [LB545]

SENATOR CLEMENTS: Oh, that's (inaudible). [LB545]

DENNIS SCHUSTER: So that's basically the taxpayers in that greater community are paying for \$5,000 of education, where I'm paying in \$12,000 per student education in my district. [LB545]

SENATOR CLEMENTS: Right. [LB545]

DENNIS SCHUSTER: That all comes out of all the property taxes. [LB545]

SENATOR CLEMENTS: Yeah. I just hadn't understood what those numbers were... [LB545]

DENNIS SCHUSTER: Yeah. [LB545]

SENATOR CLEMENTS: ...but that's fine. Thanks. [LB545]

DENNIS SCHUSTER: Yeah. [LB545]

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

SENATOR STINNER: Well, thank you for coming. And I served on the school board in Gering so I feel your pain and know what you're talking about. [LB545]

DENNIS SCHUSTER: Yeah. (Laugh) [LB545]

SENATOR STINNER: You may want to follow LB409, which is Senator Groene's bill and... [LB545]

DENNIS SCHUSTER: I'm going to be here next Monday. [LB545]

SENATOR STINNER: Okay. [LB545]

DENNIS SCHUSTER: Yeah, I...there's some changes to it I think, you know, and stuff like that. [LB545]

SENATOR STINNER: There's always changes, believe me. [LB545]

DENNIS SCHUSTER: Yeah. [LB545]

SENATOR STINNER: Yeah. [LB545]

DENNIS SCHUSTER: In closing, I think you just...it's going to take a series of things. But, Senators, please get something done with property taxes this year. That's all I'm asking, and the whole state is asking that. And please do what's right for this state, not what the Governor wants but what's right for this state. Thank you. [LB545]

SENATOR STINNER: Thank you. Any additional proponents? Seeing none, any opponents? Welcome. [LB545]

RENEE FRY: Thank you. Sorry, I don't have my act together. I was just in another hearing testifying. My name is Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. So I had planned to testify, then I had planned not to testify, but I decided to come in and testify in opposition to LB545, primarily because of our budget shortfall situation that you are all very aware of. I do want to say our research shows that the state's three-legged stool is out of balance and we rely more heavily on property taxes, so we really appreciate the intent of this bill you are hearing today. However, we would advocate instead for more systemic property tax reform as opposed to injections of funding with the Property Tax Credit Program. I do want to

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Appropriations Committee
March 03, 2017

mention that there has been a lot of talk about the three-legged stool. I will tell you that looking at census data the longest leg of the stool is property taxes, which is at 36 percent. When you look at the three-legged stool there, been talk about 44 percent of that coming from property taxes, we prefer to take a more holistic approach to property, all sales in the state and all income in the state. When you look at a three-legged stool that has 44 percent of property, that's only looking at sales tax that goes to the General Fund. So I just do want to mention that, so we prefer to look at census data for that three-legged stool which puts property taxes at 36 percent of that. I would note that every major study of Nebraska taxes since 1962 has noted our state's high reliance on property taxes to fund schools, and that reliance is largely a result of historically low state support for our schools. As of FY '14, about 49 percent of Nebraska K-12 education funding comes from property taxes, compared to a national average of 29 percent. In FY '12 we hit a historic low in state support for K-12 education as a share of the economy since the implementation of TEEOSA. And while that funding has bounced back slightly, the Appropriations preliminary budget would again take a downward turn below that historically low level. The number one property tax recommendation of the Tax Modernization Committee was to increase the state aid commitment to schools to offset property taxes and reduce property taxes as a share of total state and local taxes. At a time when school funding for our K-12 education may be descending to a near historic low or below a historic low, our fear is that diverting dollars from the General Fund will remove the political will we need to meaningfully address our systemic imbalances. For this reason, we would support other proposals that would provide greater systemic property tax relief, such as Senator Kolowski's LB484 that would conduct a review of our school finance system and would require a commission to examine financing methods used in other states which offer alternatives to heavy reliance on property taxes. LB640 that you mentioned, Senator Stinner, we have a little bit of a concern about one of the mechanisms, but that, by and large, is probably a good temporary solution. So thank you for your time and I'd be happy to answer questions. [LB545]

SENATOR STINNER: Any questions? Thank you. [LB545]

RENEE FRY: Thank you. [LB545]

SENATOR STINNER: Any additional opponents? Seeing none, anybody in the neutral capacity? Seeing none, that...Senator Watermeier has waived his closing and that concludes testimony on LB545. [LB545]