

Transcript Prepared by Clerk of the Legislature Transcribers Office
Floor Debate February 19, 2020

SCHEER: Morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the twenty-sixth day of the One Hundred Sixth Legislature, Second Session. Our chaplain for the day is Father Mike Swanton from St. Bonaventure's Catholic Church in Columbus, Nebraska, Senator Moser's district. Would you please rise.

FATHER SWANTON: Let us pray. Lord God, send down your blessing on all present who so generously devote themselves to serving others. As these senators and their assistants engage in the issues at hand, may you bestow upon them wisdom, understanding, counsel, knowledge, and fortitude, allow them to cooperate with your grace to work together for the common good of all Nebraskans. Moved by charity, may these, our public servants, especially assist people in need, in misfortune, and those who do not have a voice. Grant them courage to speak up for citizens of our great state who desire American freedom, justice, honor, and dignity. Oh God, with faith and hope and your love for all, grant this prayer, you who live and reign forever and ever. Amen.

SCHEER: Thank you, Father Swanton. I call to order the twenty-sixth day of the One Hundred Sixth Legislature, Second Session. Senators please record your presence. Roll call.

HILGERS: Mr. Clerk, please-- please record.

CLERK: I have a quorum present, Mr. President.

HILGERS: Thank you, Mr. Clerk. Are there any corrections for the Journal?

CLERK: I have no corrections.

HILGERS: Thank you. Are there any messages, reports, or announcements?

CLERK: There are, Mr. President. The Executive Board, chaired by Senator Hilgers, reports LB283 to General File with amendments. Education, chaired by Senator Groene, reports LB1083 to General File with amendments. Notice of hearing by the Health and Human Services Committee, chaired by Senator Howard. Senator Walz has selected LB956 as her priority bill for this session. And a series of gubernatorial appointment letters: appointments to the State Racing Commission; the Nebraska Environmental Trust Board; Board of Trustees, Nebraska State Colleges; State Board of Health; Board of Public Roads Classifications and Standards; Rural Health Advisory Commission; the Board of

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Emergency Medical Services; and the Oil and Gas Commission. Those will all be referred to Reference. That's all that I have, Mr. President.

HILGERS: Thank you, Mr. Clerk. Speaker Scheer.

SCHEER: Thank you, Mr. President. Colleagues, couple things as far as knowledge base. Just a reminder that today is the last day for Speaker priority requests, and that would be at close today. So if you have forgotten or they're typing it up, make sure that you at least get it into the office by noon today. And as well, a reminder, Friday is the final day for your individual priorities and the committee priorities. Having said that, I view today as the start of the second half of our session. Essentially, from this point forward, we will be looking at priority bills. And what has happened over the last several weeks has been fairly nonproductive, and I'm asking everyone to take a hard look and think about what we're doing on the floor. I think it is time that we start working together. There will always be objections to most bills. Let's try to find solutions. Let's not take comments personally, and let's try to work constructively for the betterment of the state. Not every bill is gonna pass, I get that. Not every bill should pass. But we should be working and trying to find ways to improve bills rather than kill bills. Most bills will have an A, B, C, D component, and if the A or the D component is the bad part of the bill that you don't like, let's find the solution, either jettison it or try to make the bill a workable solution. I also understand, having said that, that some bills, there's only A, and you either like A or you don't like A and that's fine. We all have different philosophies. We come from different backgrounds, and different things are important to us. But if we don't want to continue down the same path we've been going for the last several weeks, we need to start being constructive and start working together. We have a lot of items in front of us. We've only worked on a little more than a handful of the priority bills, maybe less than ten. But I'm asking you to think hard, because everything we do obviously has consequences. And we need to start realizing that what we're here for is to improve the state. Now we may have different viewpoints and what that improvement may look like, but I do think we-- we owe it to ourselves, because if we are not able to move forward in a constructive basis, we probably will accomplish very little. And we can all blame it on somebody else, but the fact of the matter is we have to look at ourselves because we're all individually going to be at fault for not being productive on the floor of this Legislature. So if there's things that are wrong with bills, let's talk to the people. Let's try to come up with resolution. Let's try to

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find ways that bills that you may not support are palatable. They don't have to be the best thing in the world. They just have to be palatable because the state needs a lot of what's still in front of us, and my fear is we won't get to all of it. And the stuff that we need to get to is stuff that the state will need in the future. I'm not trying to take sides on any particular issue. We just all need to readdress ourselves and try to put the state before ourselves and try to work together. And those disagreements that we have, we can't take them personally, but we can try to resolve them. So as we look at obstacles, let's try to find the solutions for those obstacles rather than just relying on the obstacles to be the reason we don't like something. Just a thought, that's Jim's thought for the day. Thank you, Mr. President.

HILGERS: Thank you, Mr. Speaker. Senator Albrecht would like to recognize Dr. David Hoelting of Pender, who is serving as the family physician of the day today on behalf of the Nebraska Academy of Family Physicians. Dr. Hoelting is seated under the north balcony. Would you please rise and be recognized by your Nebraska Legislature? And Senator Kolterman would like to recognize 24 members of Leadership Nebraska from York, Nebraska. They are seated in the north balcony. Would you please rise and be recognized by your Nebraska Legislature? Proceeding now to the first item on the agenda, Mr. Clerk.

CLERK: Mr. President, LB974, a bill introduced by the Revenue Committee. It's bill for an act relating to school funding. It amends numerous sections. It changes valuation of property for taxes levied by school districts and multiple-district school systems. It changes provisions relating to levy limitations, based limitation, acceptable ranges for property valuation. It changes the Tax Equity and Educational Opportunities Support Act; changes provision relating to certain school taxes and special funds. It provides for a transition aid, harmonizes provisions, declares an emergency. Bill was introduced on January 13, Mr. President, referred to the Revenue Committee, advanced to General File. There are Revenue Committee amendments pending.

SCHEER: Thank you, Mr. Clerk. Senator Linehan, you're welcome to open on LB974.

LINEHAN: Thank you, Mr. Speaker. Good morning, fellow senators. LB974 is the Revenue Committee's property tax relief proposal. The bill was introduced on January 13, 2020. The hearing on LB974 was held on January 22, 2020. The testifiers were fairly equally divided. There

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were 14 proponents, 16 opponents, and 6 neutral, with three of the neutrals saying it wasn't enough relief. The Revenue Committee voted the bill, LB974, as amended by AM2433 to General File on a 6-2 vote. The purpose of LB974 is to reduce property tax bills of Nebraska's farmers, ranchers, homeowners, and business owners while protecting our public schools. Nebraskans do an admirable job of funding our public schools. However, Nebraska is near the bottom in state dollars for K-12 public education, which results, as we all know, on an overreliance on property taxes to pay for public K-12 education. The goal of LB974 is to reduce the reliance on property taxes to fund K-12 public education by providing a dollar-for-dollar reduction in K-12 property taxes while keeping property tax, public prop-- public schools whole. In other words, we are increasing state aid to reduce the reliance on property taxes for public schools. We are not, I repeat, we are not reducing public K-12 funding but changing the percentage of those funding sources. LB974 does not raise income taxes or sales taxes, nor does it eliminate any sales and tax-- tax exemptions. It does not repurpose or change the Property Tax Credit Fund. The Property Tax Credit Fund will continue to work as it does today. I would like-- now like to open on the committee amendment to the bill. As we knew when LB974 was introduced, we knew the components of the bill would need to fit within a three-year budget. The Revenue Committee, in consultation with Senator Stinner, Chairman of Appropriations, and Governor Ricketts, understand and agree that there is \$520 million available for the next three years for property tax relief. Consequently, when the 2019 property valuations were certified in January and the-- the Department of Reve-- Revenue reported that residential valuations increased last year by 6.95 percent, commercial and indust-- industrial valuations increased by 5.64 percent, while agricultural valuations decreased by 39-- 3.95 percent, the cost of LB974 changed, so we had to amend the bill. To make LB974 fit within the \$520 million available and to provide property tax relief, we are introducing committee-- committee amendment AM2433. This amendment will replace the green copy of LB974. The Personal Property Tax Relief Act is repealed beginning with the tax year 2020. The taxable valuation for residential, commercial, industrial, and central-- centrally assessed valuations for school district and multidistrict school systems is reduced over a three-year period by the following percentages. In 2020, residential and commercial and central assessed will go from 100 percent to 95 percent. In 2021, it drops to 91 percent; 2022 and thereafter, it's 87 percent of actual value. For agricultural, horticultural, and special valuation for school districts and multiple school district systems, is also reduced over a

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three-year period: In 2020, it goes from 75 to 65 percent; '21-- in '21, it goes to 60 percent; and then '22 and thereafter, to 55 percent of actual value. The statutory maximum tax rate for school districts through fiscal year '22-23 is \$1.05 per \$100 of taxable valuation, so the maximum levy does not change. Beginning with the school year '23-24, each district will have its own statutory maximum levy. The maximum levy will be \$0.05 per \$100 of taxable valuation, plus the local effort rate of \$1 or the calculated formula contribution. Any short-term adjustment-- excuse me. A new levy exclusion-- and this is not in current law. A new levy exclusion-- and this is specifically because schools had this concern. A new levy exclusion is added to allow the school board to levy up 100 percent of the positive difference between the estimate of state aid, without any short-term adjustments by the Legislature, and the certification of state aid. The levy exclusion will begin in year '21-22 and thereafter. It will require a supermajority of the vote of the board to access the levy exclusion. The school-- the school district must be at or above the statutory \$1.05. So in other words, if the Legislature decides in the future that we're not going to fund TEEOSA according to the formula, the school board, with a supermajority of their board, can raise their levy to make up the difference that they were supposed to get according to law and what they didn't get. They do not have that ability now. With this bill, they will be able to make up the difference. School districts that have passed the levy override, and there are three of them, prior to the effective date of this act, will have access to a levy exclusion for the five-year period of their levy override. The amount of the exclusion will be the amount equal to the loss of revenue due to the statutory change in school district property valuations that occurred after the passage of the levy override, so in other words, it's grandfathered in. You have a levy override-- Westside, Hastings, Millard-- that levy override is grandfathered in. The basic allowable growth rate for school districts beginning 20-- 2020-21 and thereafter is the inflation rate or CPI-U. The allocated income tax component of TEE-- TEEOSA aid is repealed with the 2019-20 certification of TEEOSA aid. Foundation aid is a new component of TEEOSA that will replace the allocated income tax. Foundation aid is added to the local system formula resources for school-- fiscal school year '20-21 and each year thereafter, so the first time TEEOSA will take into consideration every child in the state that's in a public system, whether that child is in Loup County or South Sioux City or in Lexington or Omaha or Pawnee City. Every child is getting-- will receive aid from the state through the formula. That is not the case now. Foundation aid for '20-21

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certification of TEEOSA aid will be \$703.13 per pupil, which is 5 percent of the net income tax collections, net corporate tax collections, and net sales tax collections for the calendar year 2018. Foundation aid increases for three years. In the second year, which is '21-22, foundation aid will be \$1,556.60 per pupil, which represents 10 percent of net income taxes, corporate taxes, and sales taxes and use taxes. In year '22-23, foundation aid is estimated to be \$2,340.92 per pupil, which is 15 percent of net tax collections. Again, for the first time, every child in Nebraska will be receiving state aid for their education. Per-pupil amount for foundation aid for each-- excuse me. The calculation of foundat-- is equal-- I got-- sorry here. The last school fiscal year for the averaging adjustment component of TEEOSA aid is '20-21. The calculation of net option funding for school years '19-20 and '20-21 will use calculating the net number of option students multiplied by the statewide basic average funding per--

SCHEER: One minute.

LINEHAN: --formula of student. So it is \$10,074 for '21-- '20-21 for each-- for option students. For school year '21-22 and thereafter, net option funding will be calculated using the net number option students multiplied by the statewide average, which is \$6,730. But what people are not understanding when they're concerned about their option students is they also get the foundation aid, so it makes them whole in year three. Now do I get time on the amendment as well, Mr. President-- Speaker?

SCHEER: Yes, Senator. Are you done with the introduction of LB974?

LINEHAN: Yes.

SCHEER: OK. As the Clerk noted, there is a committee amendment from Revenue. As Chairman, you're welcome to introduce the committee amendment, AM2433.

LINEHAN: Thank you. As all of you are paying attention, I've already kind of started to do that, so I'll just continue. On or before April 15, 2020, or before November 15, 2020, and on or before November 15 of each year thereafter, the Tax Commissioner will calculate and certify the inflation rate to the Department of Education. The inflation rate shall be equal to the CPI-U or 2.5-- 2.5 percent, whichever is less. Beginning in 2022, the Tax Commissioner shall also calculate and certify the local formula contribution inflation rate for the immediately following school fiscal year. The local form-- formula

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contribution inflation rate shall equal the inflation rate and will never be less than 1-- than zero. On or before May 20, 2020, and on or before March 1 of each year thereafter, for the purposes of calculating the levy exclusion pursuant to Section 77-3442, the department shall provide an estimate of-- an estimate of aid without any short-term adjustments to the Legislature. The certification date for '20-21 TEEOSA aid budget authority and applicable allowable reserve percentage and each year thereafter is harmonized with LB880 and moved to March 1, 2020-- May 1, 2020. Beginning with the school fiscal year '20-21, unused budget authority will be reset to zero. The Board of Education may increase the special building fund levy up to \$0.14 per \$100 of taxable value to erect, purchase, or enter into a lease purchase agreement for a new school building or an addition to a school building with a majority vote of the people. The increased levy shall not exceed term of ten years, and the levy shall be within the statutory maximum levy limit. On or after the effective date of this act, the maximum levy in the special building fund shall be \$0.06 per \$100 of taxable valuation. The special building fund tax is part of the statutory maximum levy limit of \$1.05. The school board or the board of education of any school district or any joint public agency that has been delegated the authority to tax may continue an annual tax established prior to the effective date of this act through school fiscal year '28-29 for any lease purchase project commenced prior to the effective date of this act. So what that means-- and there are lots of schools. I would guess almost every senator has at least one-- well, maybe not Omaha, but almost every senator here has school districts that are using the building fund, and some of them are using \$0.06, some of them are using the-- all \$0.14 cents to remodel, add on, build a gym. If they have commenced, which means the school board has voted to do so, that is grandfathered in. They will still be able to increase their levy enough to make those payments. So any fear that somehow they're not gonna be able to make their payments, it-- it's unfounded. And that is part of why there's so much confusion in the schools about this bill. We are grandfathering in that authority so they can complete those projects. The annual tax shall not exceed the amount needed to annually fund such lease projects through the school fiscal year '28-29. The proceeds of any such annual tax shall only be used for the lease purchase project for which the tax was levied. Any tax authorized under this subsection may exceed-- this is important-- may exceed \$0.14 for each \$100 of taxable value combined with all other taxes. So if they have to go above \$0.14 to generate that income, they are allowed to do so, another thing that is very misunderstood. Transition aid will be provided to school districts in

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school fiscal years '20-21, '21-22, and '22-23, so for three years there will be transition aid. The Department of Aid [SIC] will calculate and certify and distribute transition aid. What you need to understand, and I-- the Fiscal Office, when they modeled this bill, they assumed that every school would increase their spending from '17-18 by 3.3 percent and by 4 percent every year thereafter. So if you're looking at the fiscal printouts, you need to understand that those numbers are increasing 4 percent a year. So if someone has a shortage, it's after they got a 4 percent increase. And I have not looked at every school, but I have looked at a lot of them and they're all gonna be fine. The transition aid will be paid to the school district that has combined general fund and special building fund levy greater than \$1.05 and has a difference in the school district revenue for the given school fiscal year from the school district revenue for the school fiscal year immediately preceding the given school fiscal year. Transition aid in '20-21 will be 100 percent of the change in school district revenue for the school district revenue for school fiscal year '20-21. So if they are short in '20-21, they get 100 percent transition aid. Basically, we're guaranteeing a 4 percent increase in spending. Transition aid for 2021-22 will equal 75 percent of the difference change in school district revenue from the year '21-22 minus 1 percent, so it's still-- they're going up, but if it's-- if they don't go up 4 percent, they can go up 3 percent and we will cover 75 percent of the difference. Transition aid for '22-23 will equal 50 percent of the difference in the change of school district revenue minus 2.5 percent. So again, we are not eliminating, doing away with, or cutting a single school. Everybody is going to get more money. What we are doing and what we need to do-- and I handed it out earlier-- hopefully you all have it on your desk-- is this chart. If you look at the top line, the dark line that goes up to 80 percent, that's the increase in valuations between 2008 and 2018. If you look at the bottom line of the chart, which is green, that's the decrease in levies. So while our valuations statewide went up 80 percent, our levies dropped 15 percent. Consequently, over a ten-year period, property taxes went up 53 percent statewide. We are not talking just about an agricultural problem here. We're talking about a statewide property tax problem that is keeping people from-- young people from buying homes and older people from staying in the home they've lived in all their lives. Why is this important? The lines in the middle is the private sector's reality. The blue line is inflation. And I know we're all-- we hear again and again, we can't live within inflation. The people paying the bill have to live within inflation. The orange line is the Federal Reserve's median income for Nebraska families over

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that same ten years. So if you notice the gap between the red line and the orange line, you can see why there's some frustration across the state. It's not that people don't want to fund their schools or the counties or their cities. They cannot afford it. Thank you.

SCHEER: Thank you, Senator Linehan. Mr. Clerk.

CLERK: Mr. President, I have a priority motion. Senator Chambers would move to recommit the bill to the Revenue Committee.

SCHEER: Senator Chambers, you're welcome to open.

CHAMBERS: Thank you. Mr. President, members of the Legislature, I'm not gonna have much to say on this bill, but I wanted to get my comments in first. Now I'm the only one who was enshrined in the Constitution of Nebraska. They put term limits in, white people did, because they hated me and thought that one black man should not be able to do in a white Legislature what he did. So since his constituents would continue to send him here because he's doing the job they want him to do, they changed the whole constitution, gutted the Legislature, and got rid of 40-some-odd white people to try to get rid of one black man who now, as I say on the back porch of the years that I have left on this earth, I'm in the twilight of my life at best. But the damage they did is going to live long after I'm gone. I have used the term "alpha and omega" with reference to myself. You all know that I read the "Bibble" because you all claim to believe in it, and I try to deal with people on the basis of what they believe, the standard they set, not one I would impose on them. The last book of the "Bibble" is Revelations. The 22nd verse, the 13th chapter, says: I am alpha and omega, the beginning and the end, the first and the last. You all in Nebraska have made me your god. I am your alpha. I am your omega. I am the first person who was term limited out and came back after that. There can only be one first. That is me. Because of term limits, nobody will stay in this Legislature 46 years, as I have, so I'm the last who will stay that long. Thanks to your term limits you aimed to get me with, you enshrined me in your constitution forever. You made me the first and the last. I am your alpha and your omega. I am your god. I control you. I own you. I make you do things against your own best interest. But I'm not going to do a lot of damage on this bill today because there are others who are taking it seriously, more than they should. Now we are getting into the meaty portion of the session. We're running out of days. I'm like that guy who made the men on his ship very angry. The battle was going very heatedly and he said, I have not yet begun to fight. And the men wanted a mutiny

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because, they said, we need you to be fighting. But he was making another point. So far this session, I have not yet begun to fight. I can jump to the head of the line anytime that I want to, but I'm not going to demonstrate it today unless you upset me, which I'm not gonna let you do, because this bill is not going anywhere. I'm going to go downstairs and use your technology and watch you in the comfort of my office while I'm doing worthwhile work-- work. And Senator Williams, who occasionally is naive enough to get up there and say a prayer over you all, and I have a song, ironically, by The Police. And some people think there's bad blood between me and the police, and they may be right, but this is what I'll be thinking about you all. Every breath you take, every move you make, every smile you fake, every claim you stake, every vow you break, I'll be watching you. I will see each one of you. You will be spotlighted by the camera. I will watch the movement of your eyes. If you're reading a piece of paper, I will watch to see if that paper is shaking. I study you all. When you are in the position of the prey, you must know more about the predator than the predator knows about you. The predator feels that if you are one of those clever members of the prey category, there are others who are not, so they'll go someplace else. But to every prey animal, every predator could mean death. So they learn that if you will make that predator work, the predator will say, I can get a meal easier someplace else. But somebody saw a bunny rabbit and asked, why do you think the fox gets away if a mountain lion is chasing him? And the bunny rabbit said, well, I asked a fox that question and he said, well, the mountain lion is running for a meal, I'm running for my life. And Khrushchev told you all, living things want to go on living. And he said that when Francis Gary Powers' U-2 spy plane was shot down and Americans couldn't understand why he didn't bite into that cyanide capsule and kill himself. The Christian Americans couldn't understand it. So godless Khrushchev explained it to them. Living things want to go on living. That's the rationale Khrushchev gave to explain to Americans why Francis Gary Powers did not take his life. Now here's why I'm offended by the Communists. Because of them, you put "In God We Trust" on that money to show that you're a godly-- a God-fearing country; because of Communists, you put "one nation," you put "under God" in that flag salute which shows how you play with your religion. It's just like any other political toy. You want to show your enemies something, so you take that which supposedly means the most to you and you throw it into the dirtiest field you can find, which is politics. Because the field is dirty and you're in it, doesn't mean you have to partake of the dirt. But it's why your religion means nothing to anybody, because it doesn't mean anything to you. This morning I came

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in and there was an individual back there in his religious garb, the undertaker suit. But I knew he wasn't an undertaker because he didn't have his hands folded like this and be measuring me with his eyes. He had on a backward collar, and that's one of these clergy collars where they have the little white showing in the middle. And because I believe in being frank, if I'm going to speak to anybody, I will speak forthrightly. And I said to him, when I was told that he was the one who prayed over you all today, I told him, you know, your prayers is not gonna do these people any good, don't you? But he felt he had to do it. So I gave him something. The just shall live by faith, and you must have faith that these prayers might do some good. I know they're not gonna do any good. You all know they're not gonna do any good. That minister knew they would not do any good. So in concluding, every breath you take, every move you make, every smile you fake, every vow you break, I'll be watching you. And, Mr. President, in the interest of being collegial, I will withdraw that motion.

SCHEER: Without objection, so ordered. Thank you, Senator Chambers. Returning to the queue, Senator Briese, you're recognized.

BRIESE: Thank you, Mr. President. And good morning, colleagues, I want to first thank Senator Linehan for her excellent, excellent explanation of this bill and this amendment and what it does. And I want to first talk about why this bill is important. Later on, I'm gonna attempt to address a few of the concerns of the education community, but I first want to talk about why it's important. Today we're talking about property tax reform. Sometime here in the near future, we're going to be talking business incentives, and we're probably gonna be talking business incentives including, which are gonna include the UNMC NExT project. These issues, property tax reform and business incentives, are inextricably intertwined and-- and the stakes could not be higher. One doesn't pass without the other. Colleagues, we're being presented here with a generational opportunity, an opportunity for rural and urban interests to come together, do what's best for the state, an opportunity for rural and urban interests to come together, recognize the importance of property tax reform to economic growth in our state, recognize the importance of business incentives to economic prosperity. Folks, we have a property tax crisis in this state and if you don't believe me, take a trip around the state. First go out to rural Nebraska, talk to some ag producers, some of whom are drowning in red ink, partly caused by the third-highest property taxes in the country. Then go to Main Street businesses where you'll find folks that are telling you that our

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unreasonable, unsustainable reliance on property taxes is choking off economic growth in their communities. Then go to urban Nebraska, talk to some young couples, some of whom have house payments comprised 30 to 40 percent by property taxes. Go find some other young couples in urban Nebraska forced out of the housing market by the fourth-high--fourth-highest residential property taxes in the country. And while you're in urban Nebraska, talk to some business owners, many of whom have trouble recruiting and retaining employees in Nebraska, a difficulty that's often exacerbated by the fact that these potential recruits find out that their property taxes in Nebraska on their homes are gonna be 60 to 65 percent higher than what they would be in our neighboring states. So folks ask me all the time, you know, why are our property taxes so high? And the short answer is because we fail at the state level to adequately fund K-12 education in Nebraska. It's the state's failure. It's our failure. It's on us. And according to U.S. Census Bureau data, you know, we're basically last in the country in the percentage of K-12 funding derived from the state. And on a per-dollar--on a per-student basis, we're near the last also. And if you compare what we do to our six surrounding states, our six surrounding states at the state level provide roughly \$2,300 more per student towards K-12 funding than the state of Nebraska does. We fail to properly fund education at the state level and that's--and that's why we have a property tax crisis and that's why our property taxes are higher than our neighboring states'. And that's why we have this bill, a bill that injects hundreds of millions of dollars into K-12 education in Nebraska, a bill that reduces valuations for all Nebraskans, a bill that's good for education and good for our taxpayers. And now I assume the--the naysayers and the nitpickers are gonna be coming after this bill, and some will express concern over the limitations on school spending growth and limitations on school taxation growth. And again, I'm gonna discuss some of those things later. But my initial reaction is I believe that it would be irresponsible of us to inject hundreds of millions of additional state dollars into K-12 education and not try to ensure that those dollars yield property tax relief for hardworking Nebraskans.

SCHEER: One minute.

BRIESE: Thank you, Mr. President. We have to remember a lot of deliberation, a lot of compromise went into LB974 and AM2433, and we have to remember that when you're dealing with something of this magnitude, when you're dealing with tax reform, education funding reform, business incentives, the NExT project, there are a lot of

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moving parts and nobody's gonna think it's perfect. Nobody's gonna get everything they want. You're not and I'm not, and it's called compromise, compromise for the good of the state. This bill will inject additional state dollars into every school system. It will provide a measure of property tax relief for every Nebraskan. And I'd urge your support of LB974 and AM2433. Thank you, Mr. President.

SCHEER: Thank you, Senator Briese. Senator Dorn would like to welcome the 21 members of Leadership Nebraska 2020 from Beatrice, Nebraska. They are in the north balcony. Would you please stand and be recognized by the Legislature? Thanks for coming down today. Mr. Clerk.

CLERK: Mr. President, a priority motion, Senator Pansing Brooks would move to bracket the bill until April 23.

SCHEER: Senator Pansing Brooks, you're welcome to open on your floor amendment.

PANSING BROOKS: Thank you, Mr. President. Good morning, Nebraskans. Our state's unique motto is "Equality before the law," so know that whoever you are, wherever you are on life's journey, whomever you love, we want you here. You are loved. So I'm standing today to talk about a couple of things. I talked to Senator Linehan about wanting to do this, and so she's aware. I-- I find the comments earlier this morning really interesting. We're all of a sudden supposed to play nice. In my opinion, that's a day late. That could have been stopped yesterday. We could have-- we're at the part of the agenda, as it was said, that's very important right now, and I know it's an important thing to many of you here, and along those lines was sentencing reform. That is an important part of our agenda, as well, and I find it truly ironic that the day that-- this exact same day that we could have been talking about sentencing reform, we could have been talking about ways to save money in our prisons, there's all of a sudden a press release. Are we going to save money? No. We're going to spend hundreds of millions of more dollars on a prison, hundreds of millions of more dollars to build more prisons, and now all of a sudden we're in this ironic place where we're talking about cutting property taxes. What in the world? What world are we all in? Where are we? The Judiciary Committee, Senator Lathrop, many of us have been working for years to try to say to Corrections, what do you need, what else can we do? The answer has been, continually, nothing, don't do anything, we're fine, and then the day before, and now in the paper today, is the decision that, no, what we really need to do is build more

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prisons. If I were Senator Linehan, I'd be highly aggravated by the timing of all of this. So again, my bills on sentencing reform that you all handily acted so interested in no-brainer bills yesterday, except they were important-- Senator-- Senator Brandt's bill on broadband is probably and arguably one of our other highest needs. But-- but I am attempt-- I was attempting to address cost-effective measures for our state. There are all sorts of states across this nation that are closing prisons. Do you hear me? Closing prisons, conservative states: Texas, Utah, Kentucky. What's Nebraska doing? We're going to build more prisons. We don't want to talk about sentencing reform, which, by the way, when you look at the fiscal notes on my bills, talk about the fact that it will save the state money. No, we don't want to talk about that. We want to talk about cutting property taxes, building prisons, and living in "la-la land," in my opinion. All of the groups, Right on Crime, all of the conservative groups-- I just went to a seminar-- seminar two weeks ago. All of the conservative groups-- Right on Crime, ALEC, Americans for Prosperity-- and even President Trump's own bill in 2018 was passed to-- to increase sentencing reform, cut mandatory minimums, cut the sent-- the stacking of sentences. But what are we doing here? We're avoiding the discussion on sentencing reform. Yesterday was a disservice not to me. I think many of you thought, oh, well, we're gonna show Senator Pansing Brooks what's what. No, it wasn't a disservice to me. It was a disservice to all Nebraskans and to your constituents because now the answer is build prisons, spend hundreds of millions of dollars and build prisons. So now we have to foot the bill. We're-- you know, it-- I supported Senator Briese's bill and Senator Crawford's bill on property taxes in the past couple years. I've been out there listening to what is necessary and what the people in western Nebraska are talking about and in rural Nebraska about property taxes. But I have had a mantra on two things. Do not hurt my public schools and do not hurt low-income people. I am very concerned, and have-- would have to be shown completely otherwise, that this hurts my public schools. I understand that we get more state aid, but by cutting the-- the property tax percentages, that is a direct loss to Lincoln's public schools of tens of millions of dollars a year. So state aid increases, but revenue goes down in the-- in the major cities. So again, I don't know what this is, why there seems to be a deaf ear to the fact that many of us care about our public schools. We understand that people move to Nebraska, albeit maybe Lincoln right now, and Omaha, because of the quality of our public schools. Lincoln just passed a bond issue at 63 percent because we love our schools and we want to make them stronger. So my concern is that this almost seems

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like an effort across the board to make certain institutions fail, from the people's health to our prisons to our public schools. And we need to fight against some of the privatization that is-- that is going on, I believe, with all of these efforts. There was discussion of privatization in the building of the-- of the school-- of the prisons. You can look at it. Yesterday, I had-- I was at a meeting after the Legislature adjourned. And they're already talking about YRTC-Lincoln, YRTC-Lincoln. I guess it's a done deal. I guess we have no say in whatever is going on. It sounds like building a prison is a done deal. We have no say. The say is, yes, sir, whatever you say, how quickly can we do it? So again, I am highly concerned about what's going on. It would have been nice if somebody had come forward and said let's play nice yesterday, rather than today and expecting all of us to all of a sudden say, oh, OK, no problem, now we'll be nice. Now that every bill that-- that a progressive has brought has been pretty much it's filibustered, now, all of a sudden, we're supposed to play nice. I'm a pretty nice person, and you all know that, and I will work with you and I've shown that time and again. But I don't expect this ongoing-- this ongoing battle and then expect us to all just lie down and say, OK, well, now whatever you all want, because we're gonna play nice again. So, Nebraskans, talk to your constituents and make sure that they are playing nice, make sure that they are listening to other people. We have asked time and again about Corrections' needs. I feel we're setting the state up to be-- to fail. We're now being told to cut property taxes. I understand it, but at what cost? And meanwhile, how are we going to be building that prison again? How are we building those prisons again? Thank you, Mr. President.

SCHEER: Thank you, Senator Pansing Brooks. Senator Slama, you're recognized.

SLAMA: Thank you, Mr. President. And good morning, colleagues. I'd like to take a moment to thank Senator Linehan for her work on this bill and the Revenue Committee's commitment to crafting LB974 and its amendment, AM2433. It's taken nearly a year to get to this point, and I'm proud to see what Senator Linehan and the Revenue Committee have created. This bill gets to the core of the most pressing issue facing our state as a whole, which is property tax relief. Just a little perspective from my district, District 1, we're one of two districts in the state which border three different states: Missouri, Kansas, and Iowa. For District 1, we hemorrhage people to neighboring states, many of whom work in District 1 but who would rather live in one of the neighboring states whose property taxes are a fraction of

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Nebraska's. We are one of the highest property tax states in the country, and our failure to address this issue has placed a stranglehold on agriculture and our rural communities. There are senators on this floor who in the past have argued that property tax relief is not the biggest issue in their district. Perhaps that's the case for a few members of this body, but we cannot turn a blind eye to the impact that this is having on our state. Property tax relief and K-12 school funding go hand in hand. On average, 60 to 70 percent of our property tax bill goes to K-12 funding. We spoke last week at length about the urban-rural divide and how we must work together to bridge that gap. Make no mistake about it, there is a gap in educational opportunities available to our rural students in public schools through absolutely no fault of the leadership in these districts who have shown an outstanding commitment to quality education for their students, even in the-- in the face of TEEOSA, which is a 30-variable leviathan that nearly requires a doctorate in economics to fully grasp. In these rural districts, the overwhelming majority are nearly entirely dependent upon property tax revenue to keep their lights on and their doors open, whereas our urban districts know that they can depend upon a consistent for-- source of state funding. LB974 extends that state funding to every single public school district in this state, no matter how small. The continued inaction on the property tax crisis has had a domino effect that is bleeding our small towns dry. Schools can't make necessary repairs to their facilities or construct programs that are competitive with their urban colleagues. Young people can't afford to come back to their family farms because property taxes have all but eliminated their profit margins. Twenty- and 30-somethings who do work in our small communities are choosing to rent at higher rates than they ever have before, preventing them from putting down roots in these small towns as homeowners in order to avoid the high property tax rates. Our main streets are suffering as well, facing a double hit of high property taxes and customers who have less money to spend in town, and the vicious cycle goes on. There are a few who have raised concerns on this bill. In November at Legislative Council, when this bill was previewed, we heard many of the same talking points in opposition that are bombarding our inboxes with form emails in the last week. I'd encourage anyone who currently stands in opposition to this bill or is on the fence, please come to the table and let's find a compromise. We can't afford to stick our heads in the sand anymore and nitpick good bills to death. We're facing a tipping point in rural Nebraska. Nebraska is a state whose economy is centered upon agriculture. We're

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taxing the core of our economy and rural Nebraska as a whole out of business.

SCHEER: One minute.

SLAMA: Thank you, Mr. President. We have the opportunity this year to achieve property tax relief without running into two landmines that have spelled demise for property tax relief in the past: raising taxes in other areas or cutting state spending. We face a monumental opportunity in this body to pass both property tax relief and business incentives in 2020, so let's come around the table and find a compromise for both. Let's get this done for Nebraska. Let's get this done together. Thank you, Mr. President.

SCHEER: Thank you, Senator Slama. Those waiting in the queue: Senator Brandt, Linehan, Hughes, Groene, and others. Senator Brandt, you're recognized.

BRANDT: Thank you, Mr. Speaker. Thank you for your kind words this morning about reminding us that we represent all the people of the state of Nebraska. I'd like to thank Senator Linehan and the Revenue Committee for their hard work on bringing out LB974. I know it's been a one-year process, and this is a very good start. I stand in support of LB974. It is a solution that helps all the schools in Nebraska. It is a solution that helps all the property taxpayers in Nebraska. A land under this proposal would drop about 14 percent by the end of year three. And that's gonna be different for every property taxpayer in the state because we have 244 public school districts that charge 244 different levies on different valuations, so you can't give a hard-and-fast number for-- for everybody. I wonder if Senator Linehan would answer a few questions.

SCHEER: Senator Linehan, would you please yield?

LINEHAN: Yes. Thank you.

BRANDT: Senator Linehan, we had a conference call with some of our superintendents yesterday and they had a few questions. And the first one concerns net option funding. Currently, I think we're at \$9,200 a student. What would happen underneath this bill?

LINEHAN: So currently, that's right, under the existing bill, it would just increase. It's-- it's been-- it's-- it's-- it's an amount based on the basic funding across the state. What this bill would do is it

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goes up to \$10,074 in year '20-21, so it goes up, and then in '21-22 it drops to around-- well, it drops to \$6,730. But what many of the schools aren't thinking through is they will now get foundation aid for each of those children in addition to the option funding. So in year three, they're back up to almost the same amount of money they're getting right now today. It's just we're-- we're-- instead of just funding the option students, we'll be funding each and every student in their school.

BRANDT: All right. Thank you. Another question was on valuation changes. If the money was not there, could we back off slower on the-- on the valuation changes or would that change the matrix?

LINEHAN: Well, again, I-- I'm willing to look at everything, but we're trying to figure out how we use \$520 million in property tax relief, and that's how-- that's what we can do. We can take ag down to 55 and commercial and residential down to 87, which creates \$520 million worth of property tax relief. I think most schools, if-- and it's difficult, but you have to-- you have to look at each and every school because many schools use that building fund. And if they're using the building fund on a project that's commenced, which means the school board has voted for it, they're still going to be able to raise the revenue to cover that and they're not going to have an issue.

BRANDT: All right. Thank you, Senator Linehan. Another concern my superintendents had was about sustainability. And this is sort of a statement. They-- their question was if-- they understand that today the system is broken and they are just concerned, as a lot of people are, year three or four down the road, that the funds may not be there. That being said, I would urge you to vote green on AM2433 and LB974 and would like to give the rest of my time to Senator Briese.

SCHEER: Senator Briese, 1:30.

BRIESE: Thank you, Mr. President. And thank you, Senator Brandt. I appreciate that. I wanted to take some time here and speak to some of the concerns I've heard from the education community. And there really is nothing we do that is more important than how we educate our children. I've always believed that, always will continue to believe that. I worked with the education community on a couple of comprehensive tax reform proposals, including LB1084 a couple years ago, LB314 last year. I served two terms on the Boone Central School Board, and I served there during times of budgetary tightness and those were difficult times. And when you go on to a school board,

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before you get there, you think to yourself, boy, ought to be doing this different, ought to be doing that different, you ought to be cutting here, you ought to be saving there. But once you get on that board, you realize that, well, we've got a school to run, we've got some doors to keep open here, we've got education to provide. And so your-- your mind frame or your mindset changes something there, and you conduct yourself accordingly. So I think I can sympathize with some of the concerns of the education community that I've heard, but I still do not share the same level of concern that they express. For example, the education community complains of tying budget growth, or their base-- basic allowable growth rate, to CPI, and I really think that's a nonissue. Over the last 10 to 12 years, the basic allowable growth rate has averaged 1.45 percent. We're talking about tying it to inflation, which is currently about a half a percent higher than that.

SCHEER: Time. Senator.

BRIESE: [RECODER MALFUNCTION]

SCHEER: Thank you, Senator Briese, Senator Brandt, and Senator Linehan. Senator Linehan, you're recognized.

LINEHAN: I'm going to--

SCHEER: Excuse me, Senator Linehan. Could you let me interrupt? Mr. Clerk.

CLERK: Mr. President, Senator Pansing Brooks, I understand you wish to withdraw your bracket motion? Thank you, Senator. Senator Linehan, if-- with your permission, we'll proceed to your amendment to the committee amendments.

LINEHAN: Thank you.

CLERK: OK. Senator Linehan would move to amend the committee amendments with AM2500.

SCHEER: Senator Linehan, you're welcome to open on your amendment.

LINEHAN: Well, this is moving faster than I thought it was going to move. I just want to-- while I'm waiting over here to open on amendment, I want to draw your attention to something else I handed out this morning. It's this sheet. This is put together to kind of show the picture because as-- and I-- I know-- let me back up a second. Here-- here's what we have to understand. We're talking about

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244 different situations. When you look at growth and where their money comes from and where they're spending or not spending, it is-- you got to look at each and every school. And I will meet with any of you and go through your schools, meet with your superintendent, your school boards, and walk them through this. They-- there are concerns out there that are just not legitimate because there's confuse-- it's-- as Senator Slama said, this is very difficult stuff. A lot of the schools, including-- Senator Pansing Brooks mentioned Lincoln. Lincoln has used-- there's a building fund in their levy. I don't know, because I haven't talked to Lincoln, though I've tried, I don't know if they're using that building fund right now. If they are, they're grandfathered in. They're fine. They don't have an issue. And again, I-- Senator Briese made the point. There's a lot of chatter about the CPI. That's one of the levers we move every year. All we're doing is making it consistent so you actually know what's going to happen. And on top of that, we're saying if we don't do that, we're going to give you the authority to raise your levy to make up for what we didn't do. There's a lot of things in this bill that is better than the current situation. We have-- there's-- there's people-- there's talk like, well, you haven't really talked to the schools. I have spent two years talking to schools. I have talked to STANCE. I have talked to NRCSA. I have talked to the Greater Schools Association. I met Monday morning, President's Day, with six superintendents and walked them through their schools. I drove to Columbus Monday night and met with their superintendent and their whole school board. And there's others on the Revenue Committee that are willing to do this. We are not trying to hoodwink anybody or hurt anybody. We're trying to help everyone, help our schools, help our property taxpayers. We have a crisis with this property tax situation. I remember the '80s. Some of you-- well, anybody in Ag remembers the '80s. When the ag economy goes south, it doesn't go south, like, slowly. You wake up one morning and you have a very sound balance sheet. You wake up three days later and you're flat broke. We cannot break the back of agriculture in this state with property taxes. In my district, because I have farmers in my district-- I know everybody doesn't understand that, but I have a lot of ag producers in my district. They are paying over \$100 an acre. That's higher than anywhere around us, a lot higher. You cannot make it work on \$100 an acre on property taxes. You cannot. And if we have the ag economy go south on us, anything like it did in the '80s, we're going to have a lot bigger problem with funding everything. You just-- you can't-- you can't strangle the guy paying the bill. I don't know how to make it any clearer. And you can't keep-- we've got young people. I've got-- as I talk too much about them, probably, I have

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four children. You graduate from college today. You get a good job. You have a student loan. When you go to buy a house, you have to know on your mortgage payment what your property tax is gonna be, because on a \$150,000 house in the metro area, a third of your payment is property taxes. That's not money that they are saving for their future. That is not wealth they are building. That is gone. And on top of that, they have to pay for day care. We worry about young families and low income. I even got an email yesterday, and I actually read it this morning, so I'm not-- I'm not sure-- I do know, but I'm not gonna say who it's from-- that my constituents can't afford the luxury of home ownership. Now when did owning a home become a luxury? It is a basic way our economy has worked for years since the Great Depression. We have, the federal government has-- it's been in everybody's interest for people to be able to buy their own home so they can build wealth for their retirement, so they can raise their family, so we can have decent neighborhoods, which usually includes a very good public school. Where we're failing here in Nebraska, and I don't know why we don't understand this, we're failing because the state is not picking up its fair share. We've heard that again and again: We're 48th in the country; we're 47th in the country. We're not-- it's not that we're underfunding schools, and nobody's saying we should give them any less. It's just, who's gonna pick up the bill? How is it fair that we've got people paying-- in my-- in Elkhorn, a \$100,000 house, property taxes-- and this includes everything, not just the schools. And Elkhorn schools are excellent. We have people flocking there to live there because they want their children in that school district. They're excellent. But on a \$100,000 home, it's \$2,400 a year in property taxes. Now a \$100,000 home is not-- you're talking about two bedrooms, one bathroom. You're not talking about some kind of minimansion here. You're talking about probably is the only home-- there's-- it's just-- we can't-- we've got to be realistic about what people can afford. It's not just about what we need to educate kids. I know we need to fund that, but we also can't disconnect what we're funding our schools with what people can afford to pay, and we have. They're disconnected, folks. Go back to the aqua chart. We're percentages ahead, 20 percent ahead of what people's income has raised-- raised on our property taxes. You can't do it. People are not gonna live here. Retired people are not gonna live here. You go to any retirement advisor in Nebraska and they will tell you to move. If you have any kind of a balance sheet, they will say move to Colorado where your property taxes are maybe 20 percent of what you're paying here. They will tell you to move to Missouri. They will tell you to move to Florida. And nobody-- why do people stay here? Same reason I stay

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here, besides loving the Legislature, is my grandkids. But you know, you can buy a lot of airline tickets for \$8,000 or \$9,000. We have got-- and I am willing to negotiate, to work with people who have concerns about this bill. I am more than willing to do that. What I'm not willing to do is say we're just going to hand out \$500 million and nothing else. That is not responsible. I don't know anybody in this Legislature that would give somebody-- let's say you had the money-- would loan somebody \$50,000 and say, I'll trust you. Nobody does that. And it would not be responsible for us, who are supposed to be stewards of the taxpayers' money, to hand out money and say, I trust you. I mean, I'm not saying we can't trust them. It's just not the way you do business. You go broke doing business that way-- different subject. This sheet-- people say we haven't done our share, and this sheet shows over-- since 1989, the last time that people addressed this issue. State aid for education has gone up on an average of 7 percent a year, 7 percent a year. Now this is not just TEEOSA. This is special ed, which we appropriate. And we had a hearing yesterday and I don't-- Senator Wishart isn't here-- or she is. She had-- Senator Wishart, could you yield for a question?

SCHEER: Senator Wishart, would you please yield?

LINEHAN: This is a surprise.

WISHART: Yes.

LINEHAN: Senator Wishart, which government entity has been failing when it comes to special ed, in the big picture?

WISHART: The federal government for the most part.

LINEHAN: Because I think yesterday during the hearing, didn't you point out--

SCHEER: One minute.

LINEHAN: --that since 2004 they have been flat as far as what they've spent?

WISHART: Since-- well, since the inception of when the federal government mandated that states provide special education, they have not funded to their promise.

LINEHAN: Right, which is 40 percent.

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WISHART: Correct.

LINEHAN: And it's now 10 percent or 8 percent?

WISHART: It-- it goes up and down, but it usually stays below 16 percent, and there are years when it's been at 8-- 8 percent.

LINEHAN: And you have an LR to do what on that issue, situation?

WISHART: Well, currently, Congress is right now looking at a bill that would have the federal government fully fund, at 40 percent, what they had promised to do years ago. And so our resolution asks the Nebraska Legislature to vote and-- and say that we want our fellow-- federal delegates in Congress to act on this.

SCHEER: Time, Senators.

LINEHAN: Thank you, Senator Wishart. And that's exactly what we need to do.

SCHEER: Time, Senators.

LINEHAN: Thank you.

SCHEER: Thank you. Senator Linehan and Senator Wishart. Senator Linehan, you are next in the queue.

LINEHAN: I am? OK. On page 9, line 2 and 6, strike "each," show as stricken, and then insert "any." So I will-- again, I'm-- I'm going to yield my time back to the floor. I want questions, especially from those with concerns. I've got all my sheets here. I've got your schools here. I'll walk through your schools. We're gonna have to reach out to the schools, though, because none of us here, I don't think, know which each and ever-- how their levies in each district works, so you've got to talk to each school district and figure out where they're gonna be. And the other thing I'll remind everybody, remember, first year, 100 percent transition aid. So all the, oh, man, we're gonna have to let teachers go, it's not. It's not. So thank you.

SCHEER: Thank you, Senator Linehan. Senator Hughes, you're recognized.

HUGHES: Thank you, Mr. President. Good morning, colleagues. We're in a pretty interesting situation here. We always have two problems when it comes to spending and revenue. Fortunately, for us, the state of Nebraska is doing well, so we do have revenue to work with, so that's

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half of-- half of our problem. How do we get that back as a form of tax relief, is what we're talking about today. The cry from our constituents, not only just mine but statewide, is for property tax relief. You know, this bill does deliver that. I think if you look at the bottom line after the three or four years, there is significant increase in spending from the state level and pretty significant reduction in the reliance on property tax for our schools. You know, that's the goal. Is this the perfect bill? I don't know. That's what we're talking about today. I have 16 different schools in my district. I have-- I have a pretty large district. And I think two, maybe three of them, are the only ones that are getting any state aid. You know, that's a real challenge. That's a hardship on the local economies that we are having to deal with. It was pretty interesting. I was visiting with an ESU administrator the other day and the amount of money that rural Nebraska is spending to fund the education of our kids to move to Lincoln and Omaha, you know, our kids are not coming back home. We are losing population to Lincoln and Omaha. So the amount of money that we are paying in rural Nebraska to educate that work force for Lincoln in Omaha is huge, and I think that was not a-- an analogy that I had had before. I think Lincoln and Omaha need to think about that a little bit, about the amount of money that we're spending to educate the workforce moving east, and that's fine. Let's keep them in the state. I've got no problem with that. Back to the property tax issue, last year, I had a land sale of comparable land right across the line in Colorado, and their property taxes were 10 percent of what ours are. That puts agriculture, Nebraska's number-one industry, at a very competitive disadvantage. No, that's-- that's bottom line. How do we continue to fund the state of Nebraska, the government programs? How do we continue to have the revenue to pay for the government that most of Nebraskans want? We all want good schools. We want good roads. You know, we want police protection, fire protection. There's a lot of different things that government pays that, you know, all of our constituents like. But this is not just about Ag. This is about property taxes across the state. We're seeing some pretty significant jumps in housing values. Senator Linehan talked about that, how much it costs for not a very nice house in her district. The same thing happens in my district. The property taxes are way out of line. We need to be working on this bill, not just-- not let's just kill it because our big schools don't like it. I've got a big school in my district that I've got several emails on that they don't like it. There's no question about that. They don't think they're beating--

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being treated fairly. Let's find a way to treat them fairly so we can all enjoy some property tax relief.

SCHEER: One minute.

HUGHES: It's interesting, the conversations that are going on this morning. We all come to this body with different priorities. And Senator Pansing Brooks and I, we came in together, we've had some head-to-head knockout-- knockdown, drag-out battles. She has a different priority than I do. But I'd like to think we're still friends at the end of the day. We have a different opinion. But this is a statewide problem, as prison reform is. I won't argue that. We have some real challenges within Corrections. What that solution is, I don't know. Prison sentencing reform, I'm probably not on board with that. I'm reluctant to spend hundreds of millions for new prisons. Is there a different option?

SCHEER: Time, Senator.

HUGHES: Thank you, Mr. President.

SCHEER: Thank you, Senator Hughes. Those waiting in the queue: Senator Groene, Pansing Brooks, Lowe, Murman, and others. Senator Groene, you're recognized.

GROENE: Thank you, Mr. President. It is a reality that in government, that certain issues fester and finally come to a head on a generational timeline. It's been 30 years since this body passed LB1059, the Tax Equity and Educational Opportunities Support Act to revamp then how we funded public education for a diverse set of school districts. The time has arrived again for major legislation to address inequities in funding for our public schools. I personally have seen over the last ten years attempts by this body through the Revenue and Education Committees to study the issue and present legislation to fix the inequities in our school funding and our property tax problem. At best, patches were applied to the quilt, but those patches are now frayed and torn. LB974 is the answer. Senator Linehan has done yeoman's work as she has crisscrossed the state meeting with stakeholders. The present Revenue Committee over the last year and a half has combed over present education and tax law, pored over spreadsheets, and talked to stakeholders as they refined LB974. Is LB974 perfect? No law made by man is perfect. What LB974 is, is a reset of how we fund our public schools. It maintains local control. For the first time, with the creation of foundation aid, it guarantees

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that every child, no matter where they live in Nebraska, will have no less than 15 percent of their public school education funded by state aid. That is major. That state aid will grow every year as Nebraska grows with tax reform, along with state revenue's growth. For the first time, a major portion of school funding will first come from the state aid, instead of property taxes as the first resource, the first time. This is a major, very major improvement. Every school will receive appreciably more state aid, which will transfer into over \$500 million in property tax relief for Nebraskans over the next three years, and it will grow from there as foundation aid does. For the first time, funding of our public schools will be at the front of the line when the Legislature decides where to appropriate our state government resources. That's astounding that the only thing we are assigned to do and to pay for in this state by our constitution is schools, public schools. We have never put them in the front of the line ever before. It provides property tax relief by appreciably lowering the valuation of real estate for calculation and the local taxpayer's burden in funding their local schools. LB947 is an economic development tool. Over \$500 million of state aid will be injected into the main streets of our towns and cities through the payroll of our schools. Senator Linehan informed you that provisions in LB974 protects and grandfather's funding for building projects and levy overrides presently in existence. This bill is well thought out. I well understand that change always brings fear from those who are intimately involved in an issue. I have, as you have, been contacted by school administrators, our employees, with fears of funding. Mostly they have been given wrong information. In their defense, they have not had time to study AM2433. In truth, LB974 gives more certainty to local districts' funding. We have good administrators. I trust they will adapt. No one on this floor wishes to harm a child's public education. LB974 does no harm to a student's classroom learning when it becomes law. Schools will open the next day, the lights will be turned on, and the learning will take place. Next year and every future year the Legislature--

LINDSTROM: One minute.

GROENE: --as it always does, will examine the intricacies of LB974 and how it affects each of our 244 school districts. Corrections will be made, but the framework in LB974 will be the new guiding force that makes sure that inequities on how we fund schools does not happen again. And most importantly, property tax-- will be thrown a lifeline that will continue over time to stabilize and lower their property tax

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burden. We can no longer throw money at the property tax problem. It is time to create good fiscal policy. It's harder work. It takes more cooperation, but LB974 needs to advance. LB974 is good policy. It is very good policy. And when it passes and when it takes to Select, there will be discussions on amendments, but don't fear that our public schools will be harmed. They will not be--

LINDSTROM: Time. Senator.

GROENE: Thank you.

LINDSTROM: Thank you, Senator Groene. Senator Pansing Brooks, you're recognized.

PANSING BROOKS: Thank you, Mr. President. First off, I want to just clarify that the discussions that seem to keep popping up about running government like a business, I think, are just fallacious. And I think we have to understand that government in our state, including healthcare, Corrections, and public schools, cannot be run like a business where we make money and where we get value out of it. If you want to look at the long-term value by doing all three of those entities correctly, then we will-- we can look at future growth. But again, my goal is to take care of the last the least and the lost, as Senator Chambers often says. If we want to make money in the future and protect our states, then we have to work to pay money for healthier citizens. We have to work to pay money for safer inmates who are reentering into our communities. That includes programming. That includes not stacking penalty upon penalty upon penalty on those whom we charge. It also includes making money on the bright kids that we graduate from our public schools. That affects our work force. But again, if we're looking at the schools to make money, I just think we're-- we're talking in a whole new, inaccurate world. We're not comparing apples to apples. I want to also echo what Senator Groene said. Senator Linehan has done yeoman's work. There is no question that she has worked her tail off on behalf of this state to try to do good and to try to figure out the best formula, the best plan. And, yes, perfection is the enemy of good, so that's a problem that we have. But I do-- Senator Linehan said that she would like to have some questions, so I went to her and said, do you really want them? And she said yes, so I'm gonna ask her a couple questions, so if Senator Linehan would yield, if you please.

LINDSTROM: Senator Linehan, would you yield, please?

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LINEHAN: I would be glad to. Thank you.

PANSING BROOKS: Thank-- thank you, Senator Linehan. So I've been given information on the-- on a model that was put out by Fiscal Office on 2/12/19-- or 2020.

LINEHAN: Yep.

PANSING BROOKS: And then there's another model, I think, that was given out on 2/14/2020, but in that 2/14 model, it's my understanding that it only shows the-- the increases of state aid and doesn't show the decreases that come from the property tax decreases in the formula.

LINEHAN: Well, let's talk about the one from 2/12 that you are concerned with.

PANSING BROOKS: OK. So if I look at-- at what happens to Lincoln, it is correct and Fiscal points out-- gosh, it's small print, but anyway-- that in year one we make-- Lincoln Public Schools would show an increase-- let's see-- sorry.

LINEHAN: It's line 55.

PANSING BROOKS: Yes, on page 3--

LINEHAN: Three.

PANSING BROOKS: --of that. So it's an-- it's an increase that year, but then of like-- I think it's \$19,000. Is that correct? I'm looking at this-- \$122,000--

LINEHAN: It's \$11 million dollars-- \$11-- their school aid would go up \$11.5 million. And then you--

PANSING BROOKS: OK, so the-- oh, yeah. I'm sorry. So the let out-- net outcome is \$122,000, though, right, in-- in that-- in fiscal year-- in the first fiscal year? Is that correct?

LINEHAN: The net outcome? I don't have--

PANSING BROOKS: And then if you look-- so--

LINEHAN: --a net outcome here--

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PANSING BROOKS: I'm looking-- I'm looking at-- at year three, the change in resources year--

LINEHAN: OK.

LINDSTROM: One minute.

LINEHAN: OK, I didn't know you jumped to year three.

PANSING BROOKS: Sorry.

LINEHAN: OK. That's OK, because we-- first, can we go back? I'm-- I don't-- I don't want to-- like, I'm not playing games with you, but you can't just jump to year three without looking, because what I don't know about Lincoln is they have a levy of \$1 for general fund, but then they have 0.0318 in a building fund. So I don't know if-- how they're using that building fund, but if they're using that building fund on a project that's already commenced, it's grandfathered in. So without talking to them directly and working through the numbers, I can't-- then--

PANSING BROOKS: OK, well, then maybe I should show you off the mike, but I-- I show in year three a loss of \$15,575,568 because of the combined total when you take the state aid change and-- and then take out the property tax change. So it's a \$15 million dollar loss in year three.

LINDSTROM: Time, Senators.

LINEHAN: OK. Thank you.

PANSING BROOKS: Thank you.

LINDSTROM: Thank you, Senators Pansing Brooks and Linehan. Senator Lowe, you're recognized.

LOWE: Thank you, Mr. President. Education for our youth is the most important thing we can do for Nebraska. It is how we're going to survive. And spending in Nebraska is what we have a problem with, not our taxes. We know how to tax. We have a population problem in Nebraska. We wouldn't have a spending problem if we had a million more people in Nebraska, taxpaying people to help us with the spending problem that we have. My constituents back home had been asking me,

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what will this do, what will LB974 do to Kearney Public Schools? I'd like to ask Senator Linehan if she would yield to a question.

LINDSTROM: Senator Linehan, would yield to a question, please?

LINEHAN: Certainly.

LOWE: Senator Linehan, what would LB974 do to the Kearney Public Schools?

LINEHAN: Excuse me. Kearney's Public Schools levy right now is \$1, and they've got some tenths of cents on the end of it. Then they have a building fund at 0.0204. So without knowing exactly how they're using that building fund, I can't be for certain. But in the first year, Kearney-- Kearney's Public Schools would get an increase of \$1,783,236 in school aid, and their property taxes for their constituents would drop exactly the same, and they would have no change in their ability-- they would have a 4 percent increase from the year before. So if they went up 4 percent, they would still have-- lose no revenue in the first year.

LOWE: All right. Thank you very much, Senator Linehan. So our property tax, our-- our-- the people of Buffalo County will get a reduction in their property tax, and we get more state aid. It sounds like it balances out pretty well to me. It takes some of the fear away, I believe. I'd like to ask Senator Groene a question if he'd might--

LINDSTROM: Senator Groene--

LOWE: --yield.

LINDSTROM: --Senator Groene, would you yield, please?

GROENE: Yes, I will.

LOWE: Thank you, Senator Groene. You've worked very hard on this with being the Chair of the Education Department [SIC]. What do you think will be the outcome for Kearney Public Schools?

GROENE: Well, first, for the taxpayers of Kearney, it will be over \$8 million, about \$8.7 million of property tax relief for those taxpayers. Kearney will do just fine. They're a growing, growing community. They're one of the-- I call them the-- one of those, no insult to the-- the community. It's an im-- it's actually bragging on them. They're growing. They're growing, so their valuations will

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continue to outgrow anything we're doing. And at the end of the day, I want to clarify something, folks. Every school's needs will be funded. When we-- you hear fear from school districts, it's the extra money outside, outside of the formula, where they get extra taxation. Any effect on Kearney is not a decrease in funding. If anything, it is a small decrease of an expected increase in a-- in bonus money. That's all it is. They will-- they will do very well. They will do very well, the people of Kearney will, with this bill. Overall, I think the transition aid might kick in a little bit for them. They will be made whole and this body will address any other inequities as time goes on. But if you're a taxpayer in Kearney, they have a good school and they will get a bargain with the property taxes they pay to support that school. They won't be harmed.

LOWE: Thank you very much, Senator Groene. I hope that puts the people of Buffalo County a little more at ease. LB974 is a good bill. In the past, I've not been able to support these bills because it actually raised taxes for a few people, and I promised I wouldn't raise taxes on the taxpayers of--

LINDSTROM: One minute.

LOWE: --thank you-- of my district. I can get behind this bill fully, and the two amendments, AM2500 and AM2433. I urge a green vote on LB974. Thank you, Mr. President.

LINDSTROM: Thank you, Senators Lowe, Linehan, and Groene. Senator Murman, you're recognized.

MURMAN: Thank you, Mr. President. Colleagues, we have a lot of responsibilities as Legislatures [SIC] whether it's addressing business incentives, overcrowding in prisons, implementing safe planning in our YRTCs, the NExT project, or fixing our infrastructure after the major flooding last year. These things are all very important. But one of our biggest goals as a Legislature this year should be to pass a comprehensive plan that provides fairer funding for all of our schools while giving substantial property tax relief. When I campaigned across the district before I was elected, met with people at County and State Fairs this last summer, or collected signatures for the property tax relief petition, our constituents overwhelmingly shared their stories of how the increasing property taxes are creating barriers for them to thrive in Nebraska. This issue isn't going to solve itself. This is an issue that has been looming in this state for years, and now we need to take a stand and fix it.

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LB974, with the amendments, provides property tax relief for all Nebraskans, including farm and ranch families who have experienced the greatest property tax increases, while still funding our schools. This bill takes steps to address the imbalance in terms of which schools receive state equalization aid. Today, most rural schools receive little or no state equalization aid under the current aid formula. This results in the state covering large shares of education funding cost for some students while providing little to no funding for others. The state by statute has a responsibility to cover education costs for all Nebraska students, regardless of where they live, including those in rural legislative districts or-- or even in-- in urban districts in-- in middle of the city. LB974, makes progress in this area by establishing per-student foundation aid and ensuring at least 15 percent of a school's basic education is funded by the state. Not all of our schools in the rural districts-- or most all of our schools in rural districts don't receive anywhere near the amount of state funding that the urban schools do. Although I would say that, I have-- I have heard a influx from people in urban areas about their rising property tax prices. This isn't just a rural problem anymore. Our schools and property owners are struggling. Something serious needs to change and it needs to be addressed this session. I told the constituents of District 38 that if I was elected, I would do everything in my power to achieve substantial and comprehensive property tax relief and would provide fair funding to all of our schools. This is my second year here, and we still haven't been able to provide substantial property tax relief to all-- to our taxpayers. Nebraska's property taxpayers need meaningful property tax reform, and this bill delivers our best option at property tax reductions. Unlike other failed attempts in the past, this shows our state major reform and we need to take this opportunity to show our constituents that we are listening and we are doing what many of them sent us here to do. No matter what you call this, it is a tax shift. As I've said before on the floor, a huge shift has already occurred in this state. The shift was from state support to K-12s--

LINDSTROM: One minute.

MURMAN: --thank you-- and ten or more years ago to more property tax to support K-12s. LB974 is a small step but is a start in beginning the shift back to state aid, and with the school spending protection in place, a small step away from our overreliance on property taxes. I suspect property tax paid per farmer will still be the second highest in the nation next to California, but won't be so extremely out of

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line with third and fourth highest. Nebraska may not be sixth or seventh highest in the nation anymore in overall property taxes, but will still be in the upper echelon of all property taxes paid when we include residential and commercial. Thank you, Mr. President. I do support those, LB974 and the amendments.

LINDSTROM: Thank you, Senator Murman. Senator Blood, you are recognized.

BLOOD: Thank you. Fellow senators, friends all, I've-- I'm trying to listen to this debate. I don't have a prepared speech because I really have sincere questions about what we're talking about and about this bill. And so I'm not here to love or hate the bill to death. At this moment, I don't stand either in support or against either the amendments or the bill because I'm still not hearing the answers to the questions that I have. I-- I do want to remind the body that I did vote for property tax relief last session. I thought it was important that we put the \$51 million for added prop-- property tax credits into that fund. And I'm unique in the way that I am an urban senator, but we do have a family farm in Clay County. I believe Senator Murman is our-- our senator there. So I feel it from both sides, so I started doing some research. I looked at the TEEOSA formula, because that's always the big joke when you get elected that nobody understands the TEEOSA formula, and I saw that it's been changed 20 times since it was originally voted in. And the more research I did, I noticed something that I found troubling, which was that whenever there is state aid reduction, historically, there was an increase eventually in property tax as a direct result of that, and that's one of the things I'm finding concerning. The other thing I'm finding concerning is I-- I believe-- and I thank the Revenue Committee, especially Senator Linehan, because I know that she's probably not feeling a lot of love from everybody right now. But I know she's strong and she's gonna do well today. But the thing that I see is the same thing. And one of the reasons I ran for office is I feel like we're kicking the can down the road. I don't think this is a sustainable solution. I-- I understand the three years of transition aid. But what I don't understand is what happens after that. And so when somebody says, I know naysayers and nitpickers will stand up and speak against this bill, Senator Briese, I am not a naysayer or a nitpicker. I am a concerned senator to make sure that I'm doing the best for my district and the district where our farm is located. And the senator that picked a good bill to death yesterday was the one that warned us about not picking good bills to death today. I find that concerning. But now that that's off my chest,

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I do think equalization aid should be a priority. But then again, as I'm reading this bill, I see concerns for communities like Bennington that are growing so quickly. And how do they pay for these new schools, the utility increases, the unfunded mandates, and other increases that are not covered by growth factors? And I'm not-- I'm not seeing this. And I'm willing to have people come and talk to me and show me where this is at. So it ties the budget increase with CPI indicators, is my understanding, and then the percentage increases in new assessed valuation. Again, I don't-- I don't think that's sustainable for fast-growing communities. So how do you get the resources to meet those demands? And I'm-- I'm not seeing how you get that. Is there something magical that I don't understand? And I will be the first to say that there's a lot of information between the amendments and the bills. And there may be things I don't understand, but I worry about the long-term ability to generate revenue to operate our schools. And schools are already subject to tax and spending lids and-- and so aren't we trying to take over the role, a little bit, of our local officials to kind of reel in what we think might be excessive school spending? I'm not sure I-- I agree with that. And so as I was listening, trying to figure out what the answers to all these questions are, I hear Senator Groene say, and we'll address inequities as time moves on.

GROENE: [INAUDIBLE]

BLOOD: You didn't say that?

LINDSTROM: One minute.

BLOOD: I wrote it down verbatim. So if we're gonna address inequities as time moves on, that tells me that this is not a sustainable bill. And so I want to make sure that whatever we do is truly in the best of our taxpayers and our schools. I am open to finding middle ground on this solution. And I know we have other bills coming in, too, that might be something we can combine and make this right. I am committed to leaving this session having voted for property relief. But let's make sure that we're doing it right and let's protect our number-one, most-valuable thing in Nebraska, and that is our children. Thank you.

LINDSTROM: Thank you, Senator Blood. Senator DeBoer, you're recognized.

DeBOER: Thank you, Mr. President. First, I do want to thank Senator Linehan and Senator Groene for their work on this bill. I know this

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has been such an important thing for them, and I really want to thank them for their work. And I want to tell you something, folks. Senator Linehan and Senator Groene are very, very smart and very, very hardworking. I know this because I run into Senator Groene almost every Saturday when I'm here working. So I know they work hard, and I know that they're very smart. And if anyone tries to tell me otherwise, I will fight them with biting rhetoric, but I will fight them on that issue. But here's the thing. If hard work and intelligence were enough to create good policy, if we knew that that was the insurance, all you need is hard work and intelligence, I promise you, the Judiciary Committee and the men and women at Corrections would have solved our prison overcrowding problem a long time ago. It's not enough just to work hard and have really smart people on the issue. I'm committed to property tax relief this session. Let me say that again. I am committed to property tax relief this session. The bill we have before us is a school bill. And I agree that the state needs to give more money to K-12 education. Everybody says that. Everybody we've ever asked says our state underfunds from the state level K-12 education. You know that I am committed to property tax relief and to getting more money from the state to K-12 education, because you ask anybody, and I worked all summer trying to find that solution. I worked with anybody who would talk to me-- schools, taxpayers, ag groups, anybody at all-- and I wanted to find a solution that would find a relief for property taxes and not be hard on schools. Colleagues, I'm concerned about making policy with a gun to our heads. When you have a gun to your head, if this is the only solution, this is the only train in the station, I'm worried that you might promise anything, even if you can't pay for it later. And you might be less concerned about the future and the long run if you have a gun to your head. So I'm happy to tell you, folks, there are other options. We don't have to take this as a take-it-or-leave-it. I want to get property taxes done. There are other options. And if I wanted to get property taxes done-- it's a big issue, you've heard that-- what I would look for is the widest coalition of the most brains thinking from the most diverse backgrounds to try to figure out what the best solution is for our state. I have a bill, LB1073. Check it out. This is a property tax bill that I brought also about getting more funding from the state to education. And it had at its hearing-- I don't know if his was last week or the week before. The weeks are confusing to me. It had a large number of proponents from across the different groups in our state. And you know what? A lot of people said, well, we don't love this aspect here, but all right, we're a proponent of the bill; or they said, we don't love this aspect, but we

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really like the other one that they don't like. That's what compromise looks like. And that's what we need to do on property taxes, and I'm committed to doing that. Another thing I'm committed to doing is making sure-- I mean, you've heard folks say today that there's not enough people in this room who understand the intricacies of this--

LINDSTROM: One minute.

DeBOER: --very complex TEEOSA bill. I've been trying for two years to get a commission, just like they had in the late '80s, to get together with a number of different groups, that has the Legislature's support, to provide suggestions and guidance in the long run that would say, hey, we see there's something troubling on the horizon, there's these extreme rises in ag valuations, we need to do something. My commission is sitting both on LB1073 and as a stand-alone bill. Please, Education Committee, put it out so that we can have somebody watching our backs and working on this, not just today but into the future, that's gonna look at school finance for a long time. We need to compromise, I agree, but compromise can't be I'll talk at you and tell you that I'm not gonna change anything major. We need to come to the table and all be willing to work together. There are several things I have concerns about-- it's clear I'm not gonna have time-- the averaging adjustment, the CPI--

LINDSTROM: Time, Senator.

DeBOER: --transition aid. There are other solutions. We need to do this. Let's work together. Thank you, Mr. President.

LINDSTROM: Thank you, Senator DeBoer. Senator Gragert, you're recognized.

GRAGERT: Thank you, Mr. President. I rise and continue to listen to debate on LB974. What needs to be addressed, and I believe is, is foundation aid, equalization pay, and levies. We must have trust, at least a little trust, with these significant changes proposed in LB974. Even within District 40, as many-- there are as many different scenarios as there are school districts. We need property tax relief but not at the expense of our kids' education. As Senator Groene stated, K-12 education will take top priority for the state to fund, as it should be. I believe LB974 can be the vehicle to take us in the direction we need to go. Will there be required adjustments? Of course. But we can no longer wait for that perfect bill that will solve all immediately. This bill, again, will take us in that

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direction to meet the ultimate goal of balancing the funding for our kids' education while providing all Nebraskans property tax relief, the major issue in the state today. I yield the rest my time to Senator Briese if he'd like.

LINDSTROM: Senator Briese, 3:32.

BRIESE: Thank you, Mr. President. And thank you, Senator Gragert, for that. I-- I talked earlier about how tying budgetary growth to the CPI is not tying school districts to inflation. During the last 1 to 12-- during last 10 to 12 years, while the basic allowable growth rate has averaged about 1.45 percent, school spending has increased roughly 3.4 percent per year, over twice as fast as the basic allowable growth rate, roughly 2.2 percentage points higher. So by-- with the basic allowable growth rate, we're not really tying school spending to inflation. And you ask why-- why is that? It's because of numerous exceptions and exclusions to school budget limitations that are found in 79-1028.01. So for reasons I said earlier and what I-- what I'm pointing out now, you know, tying budget growth to inflation is a nonissue, in my view. It's not really a legitimate concern about this bill, I don't feel. Now, granted, would it be better to use a five-year average or a number that might be a little more stable? I think that's worth considering. And some-- some have also objected to allowing the public to vote on building projects even if funded without bonding, and I think objecting to that provision is just not a good look. We spent a lot of time in this body, oh, last couple of weeks, talking about public votes and bonding and why the public should be allowed to vote on such items. Obviously, we're not talking about bonding here, but we are talking about construction and I think the same arguments apply there, and so I think opposing this provision really kind of sends the wrong message to our taxpayers. And I think we heard it here earlier on the floor and I've been hearing it here lately from the education community, well, is this sustainable? We have to remember that you have to deal the cards you're dealt, and this is the hand we're dealt. We're talking-- if we're talking about trying to access a sustainable revenue source, I'd remind you of the vote on LB183 last year. There, we voted on eliminating sales tax exemptions to fund property tax relief, and the vote there really demonstrated there are essentially two blocs of senators in this body that really have a hard time with accessing new revenue to fund property tax relief and, you know, that's their call. I don't blame them, but I-- that's the way it was then and I-- I don't believe that

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that has changed. And so we're-- so we are limited to the existing revenues and this--

LINDSTROM: One minute.

BRIESE: --thank you, Mr. President-- that's what we have available and LB974 reflects that. And what about valuation decreases and capping levy increases to inflation? Some schools raise legitimate concerns about their ability to fund their operations, but we need to remember a few things. First of all, a levy override is still available to those schools. And we need to remember we're putting in place another mechanism to help them out in the form of transition aid. And equalization aid is still available to our districts. But I think more importantly, I don't think any of us in here are interested in choking off education. If we encounter unforeseen circumstances, if we have schools that struggle to meet the needs of their students, if we have recurring levy overrides eroding the tax relief this bill attempts to provide, there will be an enormous amount of pressure on here to do something, and I think most of us in here will want to address that. And I know if we encounter problems, I-- I know I will certainly advocate for additional state dollars to be injected into education to help ensure our property taxpayers get relief.

LINDSTROM: Time, Senator.

BRIESE: Thank you, Mr. President.

LINDSTROM: Thank you, Senator Briese and Gragert. Senator Crawford, you're recognized.

CRAWFORD: Thank you, Mr. President. And good morning, colleagues. I rise as a member of the Revenue Committee, and I asked to be on the Revenue Committee because I'm very concerned about property taxes as one of the reasons that I asked to be on that committee. I want to acknowledge and respect the work of members of the Revenue Committee in coming up with the components in LB974. I think they're-- we-- we met often. We had a lot of conversations to try to get to a point where we could have property tax reform. I think I-- and I would agree with the goals that are laid out for LB974, and that is that we want to provide property tax relief while protecting our public schools. And-- and unfortunately, colleagues, I'm-- I could not vote the bill out of committee because I don't believe we're there yet. I don't believe we're meeting that second part of the component yet of protecting our public schools. And I just want to talk a little bit

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about some of my concerns on that front and why I think it's important that we continue to work on-- on this bill so that we can really get to that point where we can say that we are providing property tax relief and protecting our public schools. And con-- and-- and before I get into the details, I just want to remind you that we have all of our public school organizations, including our rural school organizations, our mid-school-- our STANCE, the middle school organize-- middle-sized-school organization and large school org-- greater-- our large school organization, all have expressed concerns about LB974 and opposed it. And, colleagues, if we're coming together to provide meaningful property tax relief while protecting our public schools, think it's important that we have a solution that we can get our schools behind. So that's very important that we continue to work, we continue to negotiate, until we're at a point where we can effectively say, yes, we all agree, we're all bringing in property tax relief, and we agree we are protecting our public schools. And, colleagues, just to-- it-- it's important, as you look at what's happening in your school or talk to your own school about what-- what the-- what the bill means to them, we're not there yet in terms of protecting public schools or holding public schools whole. We're just not there yet, and I hope we can get there. If you look at the information that the Fiscal Office printed out-- the Fiscal Office has provided information. I have copies at my desk, if you're wanting to-- to see what that looks like for your school. You'll see-- what's important is important to recognize, yes, all schools are getting more student aid. But it's important to also recognize that the bill takes away their assessment, takes away their property tax asking authority. And so when you combine the-- add in state aid with the loss of asking authority, many of our schools, including schools in my district, end up losing money. And as we just talked on the floor, the city-- the school-- public schools of Lincoln in year three would end up losing \$15 million, so this can be a substantial loss for some of our schools. And so it's important that you look at that whole picture, where we are in the end once you add the aid but then take out the asking authority. And I think many of our schools are very concerned about the impact that taking away this asking-- property tax asking authority has on their schools moving into the future. And we've talked about transition aid, but I want to talk about that a bit, as well, in terms of how it's written in the bill currently. So currently as transition aid is written in the bill, it does not provide a way to-- to make schools whole, compared to where they are now. The transition aid in the bill right now asks schools, if you are losing

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money from where you were last year and if you lost money from where you were last year, then you can propose or you can ask for--

LINDSTROM: One minute.

CRAWFORD: --thank you, Mr. President-- ask for this transition aid, colleagues, so that is not holding schools whole. Given the growth that we have in our schools year to year, that's asking-- if you're losing money from last year, it does not allow any room for growth for our schools who-- who need room to increase their salaries and increase their-- increase their revenues to address the needs of our schools. And especially our growing schools, you can see that the transition aid being only there for the difference between what you made last year and what you make this year is not sufficient in terms of being able to really say we're holding schools whole. And secondly, colleagues, even if it was, the transition aid is only there if we choose to appropriate it, so that's another important caution we have about the transition aid is that it's only there should the Legislature in the future choose to appropriate it. We have not built that in, and it's not guaranteed in the-- in the funding of the bill as we have it structured--

LINDSTROM: Time, Senator.

CRAWFORD: --right now. Thank you, Mr. President.

LINDSTROM: Thank you, Senator Crawford. Senator Morfeld would like to recognize 25 members of Lincoln North Star seated in the north balcony. Please stand and be recognized by your Nebraska Legislature. Senator Friesen, you're recognized.

FRIESEN: Thank you, Mr. President. I stand in full support of LB974. We have debated property tax on and off for the six years that I've been here. I thought it was an emergency when I first came, and now I think there's areas that are in dire shape and they need some property tax relief. You've got areas that are paying over \$100 an acre, and there is no business model where you can make that work in agriculture today. We've had producers who have had a 300 percent increase in the taxes they pay. I don't care if you want to talk about valuations or levies, I'm talking about the check they write. A 300 percent increase over ten years, there is no one in this state who has seen an increase in taxes like that when we talk about tax increases. And so I'm just gonna start a little bit by-- back in the day, when I started farming, land in my area was \$3,000 an acre. From there, it dropped two-thirds

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going through the '80s. Can you picture what the TEEOSA formula would call for in state aid if we did nothing? If we go through an '80s again, and I'm not saying we're gonna go there, but if-- if we would drop ag land values by 50 percent across the state, what it would do to our TEEOSA formula and how much pressure it would put on our budget to fund schools? We'd start to have schools coming under equalization aid. I don't even know how many millions of dollars that would be. I know when I did some research in, I think it was 2016 or '17, they looked and the increase in Ag had saved the state \$166 million in one year. That's how much we saved TEEOSA. That got dumped on Ag. We have seen huge increases. We have put money into the Property Tax Credit Relief Fund. It's not as though we've done nothing. But it does not fairly distribute the money to those that have paid the most. So I-- I look at our school system now, and we have schools out there that get a half a percent of their budget from the state, a half a percent, and on the other side we have schools that get 58 percent of their budget from the state. And we call that equitable funding of our K-12 system? I don't think so. I think you could make the case that we're not funding K-12 at all from state dollars in some of those schools. And now we're, for the first time, gonna focus on at least trying to get every school some funding. You know, while I may not have chosen the foundation aid per student, it's still accomplishes some of what I needed it to accomplish. There is a component in there of basic funding who helps those small schools with high cost. I know it kicks in, in year three, but it's there and it provides at least 15 percent. So if we would get this to year three, we will at least be able to say no school shall receive less than 15 percent of their basic funding in the TEEOSA formula. I think that's a big step. When you look at the spreadsheets, and everybody's got an analysis-- and this is a complicated bill. We all know that. TEEOSA is a complicated subject. There's not many people that can understand it. But when you start tweaking things here and there, things happen, unintended consequences and everything else. So, yes, it's a complicated bill. But in the end of the day, every school will receive more state aid--

HUNT: One minute.

FRIESEN: --than they're getting today. And maybe, yes, they'll have a cut in their increase, so we slow down funding. I still fully believe that if down the road in year five or six, if we have failed in this bill somehow, the Legislature will look at it and make changes. It's hard to model out more than three years even when we're putting so many suppositions into there that, you know, are-- are we gonna have

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student growth, are we gonna have value growth? You know, it's hard to model when you get more than two years out. So let's-- to me, you could say we give the-- we give the bill a chance. And if-- and if somebody says, well, we don't know what it's gonna do in year four and five, well, when we get there, this Legislature will still be in session. I won't be here, but I would be willing to bet that 40-some-- 49 of you are gonna be interested in fixing K-12 education if there's a problem.

HUNT: That's time, Senator.

FRIESEN: Thank you, Mr.--

HUNT: Thank you, Senator Friesen.

FRIESEN: Thank you, Mr. President.

HUNT: Senator Cavanaugh, you're recognized.

CAVANAUGH: Thank you, Madam President. I rise currently not supporting LB974 and its amendments. When I think about what the-- this bill is intended to do, change taxation and school funding provisions. My concern is children in this state and their education. And I know that that's a concern that everyone in this body shares, is that we make sure that every child in this education has access to high-quality, accessible education. And so I look to the people outside of this glass window, our educators, our superintendents, and when they tell me that this bill is going to hurt our schools, I believe them, because these are not people that are making a profit off of their work. They're barely making a living off of it. So when they tell me that this bill hurts them, that this hurts our children, this hurts our schools, I believe them. And when we talk about property tax relief, that's a-- to me, a disingenuous argument. Are we talking about education or are we talking about what's in your pockets? Because I'm talking about children, I'm caring about education, I'm focusing on that, that's my concern today. Your pockets are important. Everybody's pockets are important. How much you've got in them, sure, that's important. But it is not more important than any single child in this state having access to education. We currently underfund education at the state level. We are 48th in the country in state funding for education, and it is because it is funded through property tax. It is because we are not funding it at the state level. This is a disingenuous argument, so I won't support this. We need to be funding public education with state dollars, and then we can talk about

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property tax relief. We have term limits, so telling me that people that we don't even know will fix this in the future if we make a big mistake here is not a chance I'm willing to take. I'm not willing to put my faith in total strangers to fix a mistake that I can clearly see on paper we would be making if we enacted this legislation. I've heard from the Nebraska Rural Community School Association this will decimate your schools. I've heard from the Nebraska State Education Association. I've heard from STANCE. I don't understand why the people in this body who represent rural schools are not standing up, fighting for your children. It's disappointing. It's disappointing for-- to think you all stand up here and talk about how you're a pro-life state. But children, what, be damned? Where are you when it comes to their education and their care? You are trying to decimate them so that you have more money in your pockets, and that is just beyond disappointing. Our children are our most valued asset. I have nothing more to say on this issue for today, and I know that a lot of others have more to say. And I'd like to hear more from Senator DeBoer if she's willing to share with us. I'd yield my time to her.

HUNT: Senator DeBoer, you're recognized.

DeBOER: Thank you, Madam President. And thank you, Senator Cavanaugh. I agree we need dollars for every student in the state coming from the state. I agree with that. I wrote a bill that does that. Senator Friesen, I have to say, I'm sorry, but I can't legislate from the school of let's throw spaghetti against the wall and see what sticks. I think we need to be measured and we need to make sure that what we're doing makes sense. That's one of the reasons that I introduced my commission, is because I think we need to be very careful here with something as complex as TEEOSA and making sure that what we're doing is actually going to be good for all the schools throughout the state.

HUNT: One minute.

DeBOER: Thank you. I do have some questions about the messaging that we're hearing this morning. If this is not a bill about spending less and giving less money to education through K-- K-12 education in this state, then why are we arguing that we can't afford to educate folks at our current level? If we're not taking money away from the schools, then why are we saying it's too expensive to educate kids the way we're educating them now? It seems to me that one of those must be a red herring or it's wrong or something. So either we're taking money from the schools or we're spending too much money on the schools, and I want to know which one it is because I think we need to be clear

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about that before we make this gigantic change to our school funding policy. And I'm not sure that one year is enough to get it done. It didn't get done in one year before. We had a school finance commission in the late '80s. It took them two tries with that to get the TEEOSA formula as--

HUNT: Time, Senator.

DeBOER: --we have now. Thank you, Madam President.

HUNT: Thank you, Senators Cavanaugh and DeBoer. Next in the queue is Senator Albrecht, Dorn, La Grone, Williams, and others. Senator Albrecht, you're recognized.

ALBRECHT: Thank you, President. Good morning, colleagues. I rise today in support of LB974 and AM2433 and AM2500. I want to thank Senator Linehan for her leadership and applaud her and the entire Revenue Committee for working diligently to get this through committee and onto the floor for our consideration. High property taxes are a primary concern to so many in Nebraska, and I am pleased that we have gotten to this point. I do sincerely hope that we can work together to get this across the line for the taxpayers of Nebraska. While not perfect, I want to thank the six committee members that voted this out of committee to be discussed by us. I want to personally thank Senator Linehan for taking time on her day off to speak to one of my superintendents and make sense of this bill to him. I can say that I feel very confident about LB974 after having talked to so many of the school districts in District 17 and sharing the numbers out of the Fiscal Office with the residents of my district. While I've heard from some who don't like the bill, it has largely been from school administrators. I find that disappointing, but I do understand and I hope that we can all help those who don't understand the bill and get past the fear and work together for the greater good of Nebraska taxpayers and the children. We should all strive to remember that this is a property tax relief bill. That does not mean that our school administrators need to be afraid. We have always supported our children and we always will. We've always supported public schools and we always will. There seems to be some misunderstanding about LB974, which is the property tax relief bill introduced and amended by the Revenue Committee. I think it's extremely important that the people of the District 17 and throughout our state be given accurate information of how LB-- how LB974 is designed to reduce property tax burden with no new taxes and replace it with state aid to schools throughout the state. The first primary goal is to lower property taxes for the

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landowners throughout the state and to lower them with no increase in taxes. This is accomplished by lowering the percentage of property valuations that can be taxed by local school districts over a three-year period. School districts currently levy the largest percentage of property taxes, both in urban and rural areas. Contrary to some naysayers, LB974 is designed to replace the decrease in property taxes schools collect by increasing state aid to schools in order to make them whole, while protecting the Property Tax Credit Relief Fund that pays a portion of the property tax bill each year. This includes a per-student distribution to all schools. It includes foundation aid for every student in the state, which will be approximately \$2,300 per student by year three. Finally, LB974 is designed to encourage spending restraints at the local level by implementing commonsense policies to limit growth in school spending to the economic realities, such as growth in the Consumer Price Index, plus real growth in population numbers. This is not a cut to schools but an increase to state aid designed to reduce school reliance on property taxes. Remember, the state does not collect or spend property taxes. Naturally, local school districts are resistant to losing some of their taxing authority. But for the property tax relief plan to work, it's essential that each local government entity do its part by controlling spending, just like every family and business does in accordance with reasonable growth. I'd like to yield the rest of my time to Senator Groene if he'd like to have it.

HUNT: Senator Groene, you're yielded 1:00.

GROENE: Thank you. I want to make sure everybody understands that the state of Nebraska taxpayers doesn't have to apologize to anybody about funding our public schools. Last I seen, we're 16th in the nation. And I will tell you this. They are local schools. You have a property tax override vote. They just had one here in Lincoln on schools. Do not insult the taxpayers and the local citizens and the grandparents and the parents and the store owners that they will not make sure their schools are funded. What this bill does is make the state step up. It makes the state step up year after year after year. Do not insult the local patrons. The administrators do not make that decision. They are employees. The local people own that school. Administrators come and go and take their retirement to Arkansas or Texas. Generations of people, families own those schools.

HUNT: That's time, Senator.

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GROENE: They will support them. Don't insult them.

HUNT: Thank you, Senators Albrecht and Groene. Senator Dorn, you're recognized.

DORN: Thank you, Madam-- Madam Chairman. Thank you very much. Enjoyed the conversation today. I wanted to talk about this bill, I guess, at a little bit different angle than everybody else has talked about. I know as a Legislature we are very good at day-to-day operations and day-to-day funding, and what we really don't look at is into the future and the effect that a bill or a bill will have on future situations, future property taxes. This bill, LB974, it does something that we as a state here in Nebraska haven't had the opportunity to do or haven't changed in approximately 30 to 40 years: how valuations will affect your property tax bill. This will lower the valuation caps or the top amount. You do-- as a Legislature, you will have a chance to change how that in future years affects property taxpayers' property bill. And when Senator Linehan started talking today, she brought up the fact that urban-- urban valuations went up almost 7 percent last year. Commercials went up, I believe, almost 5, and ag land went down 4 percent. When ag land really had their increases, for ten years approximately, that valuation increase had a full effect on property taxes. Going forward here, assuming we see some trends that have happened in the last several years, valuation-- in Lincoln, valuations have gone up 30 percent in the last five years, a 6 percent average. Statewide, urban has gone up 6 to 7 percent statewide. Ag land now is leveling off or decreasing. So if everything--- if you take out the school funding and you take out the other things and just looked at property taxes, as you look into the future, assuming those trends continue, the urban areas will have the most likely opportunity to have a property tax increase. In other words, what happened to ag land for ten years, that is shifting and you will slowly see that and we have slowly seen that. Now the valuation impact in urban areas is starting to show up. Lincoln Public Schools last year, because of their valuation increase, had a \$13 million decrease in their state aid. As we go forward, unless something changes, and I'm just looking at trends, the full impact of the valuation rises will be affected more on the urban and commercial areas. I've actually had farmers stand up and tell me, why are you as a farm senator wanting to help the urban areas? Why not let them enjoy what Ag got to enjoy for ten years? This is a bill-- taking aside or taking out the fact of what it does to schools, this is a bill that we as a Legislature get to have an impact on what valuations do to your property tax bill. I don't

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know if everybody understands the full effect of that. Yeah, we can-- we can talk about revenue projections. We can talk about not being enough there. If revenue projections are right, we'll have enough to fund this. If revenue projections aren't, we wouldn't be able to fund this bill. We wouldn't be able to fund TEEOSA at its full amount if revenue projections don't continue the way they are. This-- this Legislature is very good at when we have-- when we don't have the funding of not funding-- fully funding TEEOSA.

HUNT: One minute.

DORN: So as we look at this opportunity, this is a tremendous opportunity for our Legislature to do something, what nobody did for ag land. That's fine. Leave it. Ten years from now, as you look at the valuation and the impact those valuations have on property taxes, the urban areas will see the greatest increase unless our trends change. I thank you very much for the opportunity to-- opportunity to talk on this bill. And I-- the-- one last thing, I really wanted to thank the Revenue Committee for all the work they did on this bill. I know they had multiple, multiple meetings. I also wanted to thank Senator DeBoer for all the work she did on her bill. I don't think the people of the state sometimes realize the full impact of all of the work that goes into bringing forward a bill.

HUNT: Time, Senator.

DORN: Thank you.

HUNT: Thank you, Senator Dorn. Senator Linehan would like to recognize nine students and one teacher from Mount Michael Benedictine School in Elkhorn. They're seated in the north balcony. Please stand and be recognized by your Nebraska Legislature. Continuing debate, Senator La Grone, you're recognized.

La GRONE: Thank you, Madam President. I rise in strong support of LB974. Colleagues, this is really, I think, an existential issue for our state. We're now in a position where we have failed to address property taxes and we have communities dying out. We have folks being taxed out of their homes. This is really a moral issue. We have to rise to the occasion. We have to find a way to ensure that folks can stay in our communities, stay in the same houses that they've always lived in. The house that you could afford yesterday shouldn't become the house you can't afford today just because we here at this Legislature can't find a way to fix the property tax problem. We have

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to rise to the occasion. Also, we all talk about the need to keep 18-to 34-year-olds in the state. One of the main reasons that that group is not buying houses in the same percentages that their parents did is because they can't afford it with our property tax burden. That is a huge impediment to them building wealth, which is a huge impediment-- impediment to us growing our state. If we fail to solve this problem, if that generation can't afford to buy houses like their parents did, then we are really inhibiting their ability to grow wealth. We're inhibiting the American dream for them. We're telling that generation that they have to take a back seat and can't afford the same dreams that their parents had. So I rise in strong support of LB974. I would encourage your green vote, and I would yield the remainder of my time to Senator Linehan.

HUNT: Senator Linehan, you're yielded 3:20.

LINEHAN: Thank you, Senator La Grone. Thank you, Mr. President-- Ms. President. It's so nice to see you up there. Senator Hunt, wanted maybe ask a favor. Can I have a gavel, please, Senator Hunt? Thank you. I want to address an issue and try not to be-- this is-- it gets numbers. And I know some of us, numbers, eyes glaze over, but we're talking and hearing about lids. And the-- and the schools have lids and there's a 2.5 percent growth rate and that's inside the formula and it all gets very mushy. I get that. But what we need is-- what we're trying to do here in a-- over a four-year period is say you need to slow your growth of spending. Now there are plenty of schools out there, and I've met with them and I-- I feel-- you know, I empathize with them greatly-- that have 1 percent, 1.2 percent growth year after year, because that's-- that's all the money they got in some of your rural schools. The statewide average, however, is 4 percent growth in spending. Now 4 percent growth in spending is quite a bit more than 2.5, especially when you compound that year after year after year. So again, when we're hearing that schools are short, they're short 4 percent growth compounded over four years. So you can't just take 16. You have to, if it was me, Google it on the computer, 4 percent over time. It-- it's more than 16. And again, to Senator La Grone, it's several of their-- Senator Dorn. This is about what people can afford. We're-- we're generous in Nebraska when it comes to our schools, and I'm not saying we shouldn't be. That's clear. As Senator Pansing Brooks said, they just had a bond issue. It passed. People clearly support their schools here, and that is good. I have no doubt that if they had a levy override in Lincoln, they wouldn't have any problem

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with a levy override. And that's something else we're not talking about this morning.

HUNT: One minute.

LINEHAN: None of this keeps you from doing a levy override No school-- if you can convince your patrons that you don't have enough money, you can do a levy override. Does anybody think a levy override wouldn't pass in Lincoln, Nebraska? You just passed a bond. You just raised-- everybody just raised their taxes by passing a bond. You got 60 percent vote. So how come Lincoln is concerned? I don't-- I don't think it's real. Here's what I do think is real. There's some fallacy in Nebraska that all the poor kids are in urban areas. Statewide, we have 45 percent of our children on free and reduced lunch, statewide. Where I grew up, in Johnson County, it's much higher than that. It is immigrants. It is people who work in a food processing plant, and their children are English Language Learners and they are poor. All the poor kids--

HUNT: That's time, Senator.

LINEHAN: Thank you very much.

HUNT: Thank you, Senators La Grone and Linehan. Senators Moser and Linehan would like to welcome a group from the American Federation for Children Future Leaders Fellowship. They are from all across the country and they're seated in the north balcony. Please stand and be recognized by your Nebraska Legislature. Continuing debate, Senator Williams, you're recognized.

WILLIAMS: Thank you, Madam President. And good welcome, colleagues. And thank you for what I think has been really good debate this morning on all angles on this issue. And I find it interesting and telling that we have young people in the balcony as we're talking about this issue that we all care deeply about, not just property tax but the funding of our education system. This is my sixth year. I've heard this debate from the beginning, and I would tell you this debate has changed over this period of time, thinking about switching from just a focus on ag land and reducing the taxes on ag land to a more pressing and wider problem now at looking at generating a reduction in taxes on all of our property and the re-- re-- reaction to recognizing that we are "overreliant" on that. It is clear that democracy only works when we're willing to engage in thoughtful compromise. And over the years that we have debated this issue, I have seen too many people

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line up on both sides and basically say, heck no, and we could never engage in that thoughtful compromise. And I believe we have a different situation this year and today, that we are engaging in thoughtful compromise. I would like to, like others have, thank the Revenue Committee for bringing us to this point and for other senators for doing that. And I do not believe that supporting our schools is mutually exclusive from providing property tax relief, and that's what LB974 is pointed at doing. I encourage all of us to continue this debate, continue to be engaged with the goal of finding a solution, not falling into the trap of just saying, heck no, not falling into the trap of saying, you have to leave our schools out and hold them unaccountable for their future, because we are all accountable for that. I am one that trusts this body. I trust the future. I understand the issue of sustainability. But I also trust who will be sitting in these seats next year and ten years from now to do the right thing for education. So with that, I fully support LB974, and I would yield the balance of my time to Senator Stinner.

HUNT: Senator Stinner, you're yielded 2:00.

STINNER: Thank you. Thank you, Mr. President-- or Madam President, excuse me. I just wanted to get up and-- and kind of discuss a few things as it relates to the budget and projections. But I wanted to first of all mention two things, and I think that people have to get a grip on this. We have only fully funded the TEEOSA formula like twice in 20 years. OK? The thing we do adjust is the growth factor. Now you've got a CPI index, and I was telling Senator Linehan I don't like that idea. You're holding my-- my feet to the fire because we changed the growth factor to fit that into our budget, so we haven't really been all that great of a reliable party as it relates to fully funding TEEOSA. But I tell you what, back when we cut \$1.2 billion in expenses out of our budget, what did we do with K-12? They got a \$60 million increase. So I think we've demonstrated that we care about education in this Legislature--

HUNT: One minute.

STINNER: --that we make it a priority. Property tax is a priority. It's my priority. We've been dealing with it. I think if you look at the Governor's budget, which has the overlay of what his-- what his initiatives are with H3, with his initiatives, and LB720 is embedded into this, and you take a look and you move these numbers forward, yes, it's a 3 percent spend growth in appropriations. That's where we've been, 3 percent. That's what we just passed, a 3 percent budget.

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I didn't see anybody get hurt in that. But there's \$45 million excess, and that doesn't account for normal lapses that we bring in of about \$70 million. So there is margin of \$110 million to \$120 million in this. This is big. It's a big number. But this is what we have to do for property tax relief. And, yeah, it might take a few other--

HUNT: Time, Senator.

STINNER: Thank you.

HUNT: Thank you, Senators Williams and Stinner. Senator Lathrop, you're recognized.

LATHROP: Thank you, Madam President. Colleagues, good morning. I think I turned my light on at about 9:10, and now it's 11:30 and I'm just getting my first opportunity to speak. And I want to start out by thanking, as others have, the Revenue Committee. I don't have any doubt that the Revenue Committee has worked very diligently on this issue. We've had a number of people who have stood on the floor and talked about the problem. I got to tell you, when I ran for office this last time and knocked doors, property tax relief is what they want in Legislative District 12. They want that too. I understand the people with-- in the western part of the state or the ag producers are very interested in property tax relief. They want that in Ralston and in Millard as well. But the fact that everybody wants it doesn't make this the right vehicle to accomplish that. I also agree with those who have stood up and said it's not enough to stand up here and say, I disagree with this proposal, tough, I'm going home and I'm not going to-- I'm not going to work on the issue. This is a priority of mine, accomplishing sustainable, realistic property tax relief for people in Legislative District 12 and across the state. As a state senator, it's important to me also to appreciate that my friends who are ag producers have a problem, and we need to come together to find a solution. I don't believe this bill is the answer. I do want to say that I represent two school districts. My part of the state is Ralston. If you've never been to Ralston, it's a small city inside of Douglas County. And it is very much like a small city, and they take a great deal of pride in their school district. Their school district is 50 percent free and reduced lunch. And I can tell you there are high-need kids in the Ralston school district, which they are proud to educate, but they are expensive youth to educate. Millard school district is also in my legislative district. Millard, if you don't know the history, is where people went because of their education system. People in Millard take great pride in the high achievement and

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in the low pupil-- cost per pupil to educate. Those are reasons people move to Ralston-- Ralston and to Millard and one of the reasons why their property values are high, because they are situated in desirable school districts. So taking care of my school districts is also very important to me in this debate and why I have a concern. Last year, when property-- when the property tax bill failed, I was contacted by-- I think it was Senator Briese or somebody on Education and they said, what do you think we need to do differently? And my answer to them was, I think you need to talk to the school districts. These are the people with some expertise. Now we can be cynical and say they're a little on the greedy side and all they want is money, but I don't think that's what they're-- I don't think that's what they're telling me. They are willing to be at the table. They're willing to work on this issue, as am I. But I look at LB974 and if we could create a list of problems for the Ralston School District, it would include three or four things and they're all found in this bill. They're all found in this bill. And at the end of the day, at the end of the day, this debate--

HUNT: One minute.

LATHROP: --and those who support it and the work of the Revenue Committee is based upon the notion that we will fully fund this bill going forward. Well, we don't do that. We don't do that. And so the thing that makes these school districts, large, small, and medium, nervous is what happens in the out years. These projections all look pretty good right now, but that's not gonna be the reality going forward. I was here for the Great Recession. We were cutting everything. We were cutting everything. So who gets cut the most? Those are some of the issues that cause hesitation on my school districts and, in turn, me when it comes to LB974. I also have to say that as I've looked at the numbers on this, like the cost over three years is more than--

HUNT: Time, Senator.

LATHROP: --our expected revenues. Thank you.

HUNT: Thank you, Senator Lathrop. Senator Clements, you're recognized.

CLEMENTS: Thank you, Madam President. I stand in support of LB974. I want to thank also the Revenue Committee for their hard work the last six months. We had no property tax relief my last three years here, but there was no money in the budget without raising other taxes. This

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time there is extra revenue. Property taxpayers have been waiting long enough. It's time to return this revenue excess to the taxpayers rather than spending it. The dollars the state has are taxpayer dollars, not state dollars. It is time to do something about property tax, and LB7-- LB974 needs to pass. I like using the TEEOSA state aid formula for property tax relief. It fixes the problem of 170 schools getting no state aid. Having taxpayers in school districts pay taxes and not get anything back is unfair. Also, TEEOSA funding for property tax relief puts property taxes high in our budget priority. It's better and more fair than-- method than the Property Tax Credit Fund. And I urge your green vote on LB974. I'd like to yield the rest of my time to Senator Groene.

HUNT: Senator Groene, you're yielded 3:35.

GROENE: Thank you. Let me give you a scenario. You get a tax statement in rural Nebraska. My God, what happened? School taxes went up \$1,000 on my quarter. You ask your wife, did they build on to the school, did they add staff, did we get more children? No, everything's the same. Teachers were local farm wives and stuff. They settled for a percent and a half raise. Then why did my taxes go up \$2,000? It's called a formula that is very flawed, that puts property taxes as the first resource to pay for our schools. LB974 fixes that. It stabilizes property taxes. Senator Stinner made an honest comment. Whoever the Appropriations Chair in the future, when they sit down, the number thing on the list will be-- now will be, how do we fund our schools? We've got a mandate. We have to fund our schools. And by golly, if we don't, we've got to worry about reelection, because now that school district can raise their levy to recoup 100 percent of what they just lost from our cuts. So now, elected official in the Legislature in the Governor's Mansion, you just shifted property tax. You just raised property taxes. School board didn't do it. You did it. It fixes that. This is a very good bill. You've seen this spreadsheet from the Fiscal Office. How many times have we said and heard from the education establishment, we average 1.5 percent to 2 percent or less increase over the last 20 years or 10 years? Heard that from the Millard lobby a lot. This spreadsheet assumes every school district is gonna raise their levy, their spending by 3.3 percent in the second year and 4 percent in the third year-- unrealistic. It will not happen. Of course, when you use unrealistic numbers, it's gonna show a bigger negative. This spreadsheet is also based on maximum taxation. I'll use Millard as an example again. Their valuations went up and they actually cut their levy. Not every school district-- it's an insult to

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every school board that everybody in this room, or some of us, thinks that they're greedy and they tax to the max. That spreadsheet you're looking at and you're comparing makes the assumption that every school district is gonna go after every last dime available to them. I know of at least 167, the last I heard, school districts that spend a lot less than what they could. The school boards are conservative. We fund our schools.

HUNT: One minute.

GROENE: We are talking about the maximum they could tax, not what they tax. So don't get misled. And I hope nobody in this body thinks money equates to equality, or then the University of Nebraska's education is worthless compared to what it costs to go to Harvard. Think about it. The amount you pay in education, never have I seen the study relates to outcome. But we do adequately fund our schools because we want our teachers to make an adequate living, to have good benefits, and the air conditioner work. The outcome in that classroom is the quality of the instructor, not money. Do you really think money has something to do with the outcome? That's a total insult. I'm throwing in-- about insult, but that's a total insult to the teaching profession.

HUNT: Time, Senator. Thank you, Senators Clements and Groene, Mr. Clerk for items.

CLERK: Thank you, Madam President. You're Committee on Agriculture reports LB344 to General File with amendments, signed by Senator Halloran. Amendments to be printed: Senator Hansen to LB720; Senator Linehan, LB974; Senator La Grone, LB974. New resolutions: Senator Bolz offers LR324; that will be laid over. Priority bill designations: LB627 by Senator Pansing Brooks; LB1052 by Senator Wishart; Senator Hilgers and the Executive Board, LB681; Senator Erdman, LB3-- LR300CA; Senator Matt Williams, LB774; and Senator Matt Williams, LB888 [SIC LB808]-- those are the two Banking Committee priorities; and LB881 by Senator Matt Hansen. Mr. President, a Reference report referring gubernatorial appointees to standing committee for confirmation hearings. Name adds: Senator Hunt to LB1003 and LR280CA; Senator Brewer, LB1202; and Senator Halloran, LB1202. An announcement, the Business and Labor Committee will meet upon adjournment in Room 2022, Business and Labor, upon adjournment. And Senator Bostelman would move to adjourn the body until Thursday at 9:00 a.m.

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HUNT: Priority motion before us is to adjourn. All those in favor say aye. All opposed say nay. We are adjourned.