

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee February 22, 2019

LINEHAN: Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan, I'm from Elkhorn, Nebraska, and represent the 39th Legislative District. I serve as Chair of this committee. The committee will take up bills in the order posted. Our hearing today is your public part of the legislative process. It is your opportunity to express your position on the proposed legislation before us today. If you are unable to attend the public hearing and would like your position stated for the record, you must submit your written testimony by 5:00 p.m. the day prior to the hearing. To better facilitate today's proceeding, I ask you abide by the following procedures. Please turn off your cell phones or other electronic devices. I'm going to say this very clearly, because you're all sitting way back there in the back. If you're going to testify, please move forward so it just moves it along. And since it's Friday and bad weather is coming, we're going to try to go fast. But giving you all time to talk. The order of the testimony is introducer, proponents, opponents, neutral and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written material that you would like to distribute to the committee, please hand them to the pages, which I'll introduce in a second. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page, once I've introduced them, to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes. We will use the light system so you have four minutes on green; and when it turns yellow, you should be wrapping up. And I will ask you to stop at red. If there are a lot-- not a lot today. If your remarks were reflected in a previous testimony or you would like your position to be known, but do not wish to testify, please sign the white form at the back of the room and it will be included in the official records. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the legislative, the Revenue Committee staff. To my immediate right is legal counsel, Mary Jane Egr; to my immediate left is research analyst Kay Bergquist; and the far end at my left is committee clerk Grant Latimer. With that, I would like the senators to introduce themselves.

LINDSTROM: Brett Lindstrom, District 18: northwest Omaha.

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FRIESEN: Curt Friesen, District 34: Hamilton, Merrick, Nance, and part of Hall County.

McCOLLISTER: John McCollister, representing, representing District 28: central Omaha.

BRIESE: Tom Briese, District 41.

LINEHAN: I think the others will be with us. I know they're just running late. Today our pages are-- I have a note right here-- Brigita-- they're right over here. Brigita Rasmussen, a sophomore at UNL majoring in agricultural education; and Sunny Ghidey, senior at UNL, major: political science. So if you have copies, they can help you. Please remember that senators may come and go during our hearing, as they may have other bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I'd also like to remind our committee members to speak directly into the microphones. Also for our audience, the microphones in the room are not for amplification but for recording purposes. Lastly, we are electronics-equipped committee and information is provided electronically, as well as in paper form. Therefore, you may see members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and is critical to our state government. So with that, we will begin with LB187, Senator Lindstrom. Welcome.

LINDSTROM: Thank you, Madam Chair and members of the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. Today I'm bringing LB187 for your consideration. LB187 expands the Sports Arena Facility Financing Act to include sports complexes. The intent is to allow for growth, not only in new construction, but also with facilities that are already present. By allowing the capture of 100 percent of the sales tax collected by nearby realtor, realtor-- realtors within 600 yards, a 600-yard proximity, which is measured from any point from the exterior perimeter of the facility. The time frame in which collection may begin is as follows: 24 months prior to the project completion date for the eligible sports arena facility, and ending 48 months after the project completion date of the eligible sports arena facility. The bill comes from proposals over the past few years surrounding improvements to be made to Tranquility Park and Kelley Softball Complex, which also, which both sit in my district. But the ultimate goal would be to have the complexes across the state to generate development in a 600-yard proximity around the complex. LB187

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includes requirements to fulfill for any perspective complex. It may be used for indoor or outdoor arenas whose primary purpose is for competitive sports, as defined in Section 1 of the green copy. The complexes must contain at least 12 separate sports venues if such, such facility is located in a city of the metropolitan class; 8 separate sports venues if such facility is located in a city of the primary class; or four separate sports venues if such facility is located in a city of the first class, city of second class, village, or county. I believe that LB187 is an important tool for my district and districts like mine across the state that seek economic development opportunities for their communities. Tranquility Park is my district, in my district, is used for soccer, softball, adult leagues, lacrosse leagues, and other activities. Millard Public Schools and Omaha Public School facilities are consistently booked, or constantly booked, and they are finding it increasingly more difficult to schedule facility use for schools related to organizations, due to the high demand from outside organizations. Allowing the city to approve sports complex-type projects will help lessen the load and create more court and field time. It would be advantageous to find a suitable revenue stream in Nebraska to fund these projects that involve children's activities. While my initial interest with this bill has been with Tranquility Park, I've learned that there is a growing need for renovations to field, fields all across the state. Lincoln has been working on a proposal west of the Haymarket arena. Several communities including Columbus, York, Hastings, Kearney could utilize this opportunity. And I'm sure there are more that we can add to this list. LB187 does not change the mechanics of the term "back tax," already in place for the Sports Arena Facility Financing Act. The boundaries of collecting the term back are still within 600 yards the facility and use the same breakdown of what percent comes from new and established businesses. LB187 is a solution to a statewide problem, not a solution for one city or just one park. The intent is to allow for funding mechanism for communities with projects to bring in regional and national championship tournaments. This brings people from all over the region and from anywhere in the country, for that matter, to stay in our hotels, to eat in our restaurants, to visit our museums and zoos, to fill their gas tanks as they head home. LB187 provides a mechanism for Nebraska communities to use this when they decide to move forward to fund sports complexes that they are confident will bring money and grow the local economy. Passing LB187 does not mean communities are bound to using it. The decision to create these complexes are ultimately up to each individual city, and

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we are just providing the groundwork for funding. With that, I'll be happy to answer any questions that you may have.

LINEHAN: Thank you very much, Senator Lindstrom. Questions from the committee? Seeing none, are there any proponents?

JEFF LeDENT: Thank you, Revenue Committee, for the opportunity to speak to you today. Your time and consideration are very much appreciated. My name is Jeff LeDent, I'm the general manager of Millard United Sports, a local nonprofit organization out of Omaha. We are the largest multi-discipline youth sports organization in the state of Nebraska outside of--

LINEHAN: I'm sorry. Spell your name. I'm sorry.

JEFF LeDENT: L-e-D-e-n-t. We are the largest multi-discipline youth sports organization in the state of Nebraska outside of the YMCA. Millard United serves 7,500 athletes in baseball, softball, flag football, and tackle football, as well as many tournaments and leagues that we administer for both competitive and recreational sports. Millard United Sports has been serving youth of Omaha since 1940. I want to speak to you about two things that I believe are the reason why LB187 is so important. Those are need and impact. Need: Omaha has a shortage of field space for almost every sport that I can think of. On the baseball side, our state tournament for USSSA baseball primarily takes place in the state of Iowa because the lack of quality field space. The Greater Omaha Softball League, a league that has 118 teams from around Omaha and surrounding areas, has had to partner with area high schools to have enough fields to accommodate all the teams. After the flood of 2011, Dodge Park, which had four fields, was never brought back up to true playing conditions, or at least not that they could host the league. We understand the budget challenges that most cities face, so a private and public partnership is the only way to change the growing problem. I've met with city officials and know that Omaha does not have a major sports complex in their master plan. LB187 gives the necessary mechanism to help build high-quality sports venues that many of our neighboring states already have. Des Moines and Kansas City have major complexes like Tiffany Springs Sports Complex; Raccoon River; Overland Sports Complex; James County; and a sprawling complex in Ankeny, Iowa, just to name a few. We don't have to look far to see some amazing examples of what's possible in Omaha and Nebraska. Why do I bring up these examples? Impact: Sports tourism is a \$9 billion a year industry and shows no signs of slowing down. The industry has been increasing an average of 10 to 13 percent since

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2012. Andy Cook, mayor of Westfield, Indiana, took a leap of faith when he decided to convert 400 acres of corn and soybean fields into Grand Park. Grand Park is 31 turf soccer fields, 26 baseball and softball diamonds, and 80,000 square feet of indoor space for basketball and volleyball. That gamble, which was met with tremendous skepticism, is now producing 1.2 million visits per year and \$145 million of economic impact for his city. So I would say that gamble has paid off. I'll close with a personal example of sports tourism. My daughter plays travel soccer, and two years ago her team traveled to 11 out-of-town tournaments to places like Plano, Texas; Scottsdale, Arizona; Rockford, Illinois; Denver, Colorado; Muscatine and Des Moines, Iowa; and Kansas City. We spent approximately \$15,000 in travel-related expenses for soccer that year. Take that times the 16 players on that team and that's \$240,000 spent on from one team in one year. So those numbers are real. Teams are leaving our state to play, and other states are not reciprocating due to lower-quality venues or lack of inventory. LB187 would be the catalyst for new construction and renovations throughout the state, and result in Nebraska being a destination for that sports tourism dollar, and improve our quality for our local users as well. I appreciate your time.

LINEHAN: Thank you very much. Do you have any questions for Mr. LeDent? None, thank you. Other proponents?

AIMEE MELTON: Hello, Chairwoman Linehan and members of the committee. My name is Aimee Melton, and I'm a member of the Omaha City Council. And I am here in support of LB187. And I do have--

LINEHAN: Can you spell your name?

AIMEE MELTON: Oh, Aimee Melton, it's A-i-m-e-e, and Melton, M-e-l-t-o-n.

LINEHAN: Thank you.

AIMEE MELTON: We do have the support of not only the mayor, and I believe the mayor sent a letter down in support of LB187, but all seven council members. So we, we do have everyone in our city government in support of LB187. And the importance of this, it sits at 120th and Maple. And we have, there are soccer fields, softball fields. Those softball fields are also used for baseball many times, for competitions. But we do have a lack of available fields in the city of Omaha, especially in comparison to other cities that, that surround us, that are outside of the state of Nebraska. I too have a

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son that plays competitive baseball, and I actually played soccer on Tranquility Fields when I was a child through the Catholic Youth Association. So I guess Tranquility Soccer Park is near and dear to my heart. But I do see the revenue that we are losing from larger competitions and tournaments that we could be getting in the city of Omaha, which doesn't just benefit the city of Omaha but the entire state of Nebraska. And I think that this is just an example of a public-private partnership that part of what we need to do as the public is contribute, is contribute our share. And I think by doing a turn-back tax like this, it would really help the city and in their contribution to the private funds that are going to go into this complex. I won't repeat the, the facts and figures that Mr. LeDent just stated, but I think it is a big loss for us right now. And we would ask that you help the city of Omaha and the Omaha Convention and Visitors Bureau to try and recoup some of those large events that they say that we are losing here in Omaha. The other, the other part is this would encourage more development around that 120th and Maple area. It will encourage hotels and other development. And in that area, we aren't going to see any kind, any TIF projects. That's an area that you won't, you won't see anybody getting any kind of other tax benefit for building in that area. But it's a very important area, and it's right off 680. So it's accessible to everybody in our community. So I would ask that you would support LB187. And I'm here to answer any questions that may have.

LINEHAN: Thank you, Councilman. Yes, Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. And thank you for your testimony. Are there current plans to expand Tranquility?

AIMEE MELTON: Well, the plans that we're working on, we are working with Mr. LeDent. We've been working with him for about, I would say, a year and a half, in trying to come up with a partnership so that we can develop Tranquility. Currently, right now, we just put, the city of Omaha just put a million dollars into that soccer field. So we put the artificial turf into the field. So we're still making, the city is still making improvements to Tranquility. We're also on the list to, to widen 120th Street, from Maple to Fort. So this is kind of, it's a perfect opportunity. Everything's coming together at once. So we could, at the time we're expanding 120th, it would be a great opportunity to start redoing the parking lots in there. I mean, the parking and the traffic right there at 120th and Maple is absolutely awful, especially on Saturday mornings when you have 20 different

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soccer games going on. And you also have the ice rink and you have the tennis, and then to get back to the fields, the softball fields back off Fort Street, the traffic is just a little bad. But right now we are planning to widen 120th. It is on the list. It's a federal project, so it's been delayed a little. But I think we have it back on track. So it's just the perfect timing to do a big project right there at Tranquility.

McCOLLISTER: Thanks, Aimee.

LINEHAN: Thank you, Senator McCollister. Are there other questions?
Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Do you have access to the hotel lodging taxes that are currently, aren't they available for economic development or tourism?

AIMEE MELTON: Correct.

FRIESEN: So could that, do funds like that, could that be used for projects like this? Or what kind of revenues does that bring in?

AIMEE MELTON: Well, I'm not, and I would have to defer to our city funding before I start answering questions like that. I'll get a call from Steve from the city, saying you have no idea what you're talking about. But we could use some redevelopment, I believe we could probably use some redevelopment bonds. But we need to do a series of fundings. There isn't anything that we could do without raising taxes, which we're not in favor of, and the mayor doesn't support. We would prefer to work in a public-private partnership and have a combination of donations and then city contributions in order to pay for that.

FRIESEN: So, you know, constantly we're hearing that we're going to, we're going to grow our way into a better economy. So as a city councilman, where I used to be on the city council was just a lot smaller city. But do you-- Omaha is growing, aren't they?

AIMEE MELTON: We are. Our pop-- we're, we're growing, not only are we growing by adding new people, we do have very healthy annexation packages that we've been passing each year. So the combination of both, the development in our downtown, and actually just hearing about Google and a number of other companies that are, that are coming into our downtown area. We're growing both west and expanding the north downtown area. So I think we're growing all over, which is good.

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FRIESEN: I feel you're, you're growing pretty sound and steady. And so, I guess I look at that. Do you feel that you're able to lower taxes because of growth?

AIMEE MELTON: Well, in the last five years, actually, the city of Omaha has reduced our levy twice. So I think--

FRIESEN: You lowered taxes?

AIMEE MELTON: We, we, yes, we lowered the property tax twice. We reduced the levy and the amount of money that we were taking in for property taxes twice. And I believe we were the only political subdivision on our list of taxes that did that. Unfortunately, when I tell people that, they, they say, really? Because my taxes went up. I said, well, at least the city tried to do their part so they didn't go up as much.

FRIESEN: So it's, especially in the rural areas, we're struggling because right now we, we don't have that growth. And I don't know that, I'm not convinced anymore that we can grow our way out of revenue problems all the time. And so I'm going to struggle with this, because as a state right now we are, our revenue is not good. We've been constantly looking for new revenue to do property tax relief with, we've been looking for new revenue to do Medicaid expansion with. And our revenue looks like it's still on a downhill trend. And so I get where you're going. But, I mean, I look at your growth and, and I look at the hotel lodging taxes and the more money this might bring in. It almost looks like this project should pay for itself. But it's-- tourism is an interesting thing.

AIMEE MELTON: It could. But the amount of tax revenue, sales tax revenue that we'll bring in for the state, the state I believe will see the benefits from this as well, not just the city of Omaha. And--

FRIESEN: You're saying when I come visit my grandkids playing soccer there I'll help you pay for it. I appreciate that.

AIMEE MELTON: We will welcome you anytime, Senator.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? The fiscal notes says that there's three projects already. Do you know what those three are?

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AIMEE MELTON: The three projects that we'd be getting, that I believe we have at Baxter Arena. I don't know. I might ask to defer to-- because we're looking at, yeah, because you have to CHI. I mean, the only three I can think of would be TD Ameritrade, CHI Health, and Baxter.

LINEHAN: Ralston.

AIMEE MELTON: Oh, Ralston. I'm sorry. That's not part, I was just thinking Omaha.

LINEHAN: OK. All right. Thank you, unless there are other questions. Other questions? Thank you very much for being here.

AIMEE MELTON: Thank you very much.

LINEHAN: Other proponents?

JEFF WEAK: I also have some handouts. So this is the updated
[INAUDIBLE]

LINEHAN: Afternoon.

JEFF WEAK: Hi there. My name is Jeff Weak, W-e-a-k. Address?

LINEHAN: No, it's just first and last name though. I know we all know how to spell Jeff.

JEFF WEAK: J-e-f-f W-e-a-k.

LINEHAN: Thank you.

JEFF WEAK: I actually do youth sports tourism consulting, and I do it around the Midwest. And I've been working since "ish" 2008, 2007 on youth sports development here with the potential for, you know, what could happen in Nebraska, knowing that we have what I consider a deficit in fields. I want to start my comments by saying we talk a lot about economic impact, and the reason we are suggesting this piece of legislation, or Senator Lindstrom is, part of it has to do with how we grow economic impact. And there are three ways to do that with regards to sports, youth sports tourism. The first is to build additional field inventory; the second is to build field capacity; and the third is to improve user experience. OK? That's part of the reason why we have a bill before you today, is that we think we can increase economic impact across the state of Nebraska and not just at

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Tranquility or west Haymarket in Lincoln, but that there is potential for building and improving and expanding youth sports tourism across the state of Nebraska. If it's OK, I'd like to kind of go right to your maps, because you all have maps that you're looking at. The first map is Tranquility Park in in Omaha. It shows the park and it shows a 600-acre buffer around it. That's the basis for the, the tax revenue, the sales tax revenue that would be generated for Tranquility Park. Most of the sales tax that would come from that project, if this project got passed or this bill got passed, would come from new development in the north-- well, would it be the, actually the southeast corner of 120th and Fort. Do you kind of see, it's hard to see. I know it's a small map, but I wanted to get all of that. That currently is owned by Dan and Sean Mulhall, who has submitted a letter to the committee stating that that development has been 15 years in the making. They have got no TIF, no public incentive to build what they build. They've sold one lot, and that the development wouldn't come unless a tool like this would be used to pay for improvements at Tranquility that would spur the development in Roanoke. You have the letter as part of the record. I think that's been submitted to all of you through Dan and Sean Mulhall. I just wanted to make that a point to, to say that that's where the sales tax is going to come. And, and he's been specific in his letter to say he doesn't-- they've been working on this for 15 years. And unless something like this were to happen, they don't see their investment in their infrastructure actually coming together. So that's a, that's number one. Number two is the Lincoln project. There's open green space around Oak Lake Park. I think everybody's kind of driven by that part of Lincoln, and the folks from Lincoln will talk specifically about Oak Lake Park and the potential there. But the, the last four of the maps that I'm showing are complexes that, that I look at and, and take the bill and say: you need to improve or expand four fields or sports venues as defined by the bill. And that would qualify you to put a 600-yard buffer around your complex. And whether it's one motel or one Burger King or one gas station that could pay for the 50 percent each, each complex or each project can only collect 50 percent of the total of the project in sales tax. There's potential there. And to me, maybe I'm, maybe I'm an idiot, and maybe my optimism is showing, but I think there's potential here for other complexes. I show you York, I show Columbus, Wilderness Park. If you've ever been to Columbus, that's a beautiful complex, and it's out in the middle of nowhere. And the potential to put something there would be great. Kearney just built fields at Patriot Park, which you have that map as well. That's right off of Highway 10, which has an interchange down to I80. I mean, it literally will take you

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directly into Kearney and with ground around it that could be developed. I just, I want you to look at those maps and see the potential more than see that there is a sports complex kind of in the middle of nowhere. I want, I want you to consider that as, as what's, what's real and what, what I think is the reason for the bill. And then, finally, I want to say one last thing. I'm sorry.

LINEHAN: Just, OK.

JEFF WEAK: Am I--

LINEHAN: One last thing.

JEFF WEAK: Am I done?

LINEHAN: You had me very intrigued with your map, so I wasn't paying attention. But yes, one last thing.

JEFF WEAK: The, the last, the last comment is a letter from the Nebraska State Soccer Association, which states two things. Local users and organizations need new and updated athletic fields, and that LB187 would be used to improve the quality fields without raising the cost to the player. And then they serve a very dear, diverse community of players from all over the state, and not all of those players and families can afford a premium, for premium facilities. This tax policy would allow players from every socioeconomic segment of the population to have the same user experience.

LINEHAN: Thank you very much. I appreciate it.

JEFF WEAK: Any questions?

LINEHAN: Are there questions? Yes, Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Thank you for being here. You obviously have a vision for improvements to the Tranquility Park, correct?

JEFF WEAK: I do. Yes, I do.

FRIESEN: If you're calling the shots, if you're in charge, what would the price tag be on those improvements?

JEFF WEAK: If I was calling the shots, I would try to do it as cheaply as possible. But I also know that it costs to make-- Tranquility has

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two phases: there be improvements and there would be expansion. So as long as it met the criteria, we've seen any kind of range from \$20 million to \$40 million.

FRIESEN: For improvements and expansion.

JEFF WEAK: Yeah, yeah. And it depends on the scope of work. Let's be, let's be clear. I mean, if the scope changes then obviously the costs, you know, move up and down.

FRIESEN: That \$20 to \$40, you would consider that a good investment for the city of Omaha?

JEFF WEAK: Not only is it sustainable, it's to me is, is the next step that we needed to take probably 10 years ago. It's, it's sustainable, plus it creates a reserve in such a way that when it comes to replacement costs or capital reserves, so that when we have to, when we take turf and the turf needs to be replaced, we've taken that into account.

FRIESEN: What kind of economic benefits would the city see from this as far as any sort of tax revenue and the ripple effect of the growth around that area?

JEFF WEAK: Again, Senator, I've had, looked at a couple of different scenarios. We have pro formas that show what the economic impact what would be. The construction impact is one thing, and then operations impact. It ranges from \$50 to \$70 million dollars a year in economic impact. Now, that includes direct, indirect, and induced economic impact. Basically those are the numbers that we're using. Again, it could go up and down based on the scope of work.

FRIESEN: A huge impact relative to the initial cost, you would say?

JEFF WEAK: That's correct. And, and the other thing that I would, I, I think gets lost is we're taking into account that the Monday through Thursday user is a local user. I mean, part of our, the, the piece here is that we don't want to, even though there's great economic impact in teams that come from outside Nebraska to play at these fields, the Monday through Thursday user is our local user and we need fields for them first. First. That's what I would say. I mean, I know the CDB wants to see or they want to see economic growth, and I agree with that. But when we watch our kids play on fields that are full of dandelions or, you know, holes and there isn't enough places for kids

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that are local kids to play, we're going to, we're going to fix that by having this opportunity.

FRIESEN: OK, thank you.

JEFF WEAK: You bet. Thanks.

LINEHAN: Thank you, Senator Briese. Other questions? Senator Groene.

GROENE: I missed who you are. You're a consultant?

JEFF WEAK: My name is Jeff Weak. I'm, I'm a consultant that's been working on youth sports complexes here in Nebraska for a while. I do it in the Midwest and--

GROENE: All right.

JEFF WEAK: Yeah.

GROENE: But you're talking about state tax dollars that's supposed to go into the coffers for state business, and asking us to give you that money for a local concern. When the local entity already has the ability to have a sales tax that sounds like a local issue and a local management problem. Local control.

JEFF WEAK: OK.

GROENE: So why should I vote to give the city of Omaha or any city state revenues that are needed to fund the schools, the State Patrol, this building? Why would I do that?

JEFF WEAK: The, the one thing in the past, this turn-back bill or turn-back tool has done is taken a sales tax that is could go into doing those critical actions or state, you know, functions. The goal of this bill is, is only sales tax generated by the developed-- and I, it does matter to you, right? Regardless. So a hotel--

GROENE: I'll never step foot on that soccer field, and neither anybody from North Platte. Maybe a team might go down there and play, but that doesn't-- there's spending North Platte money in Omaha, not in North Platte. So why would I support this? I guess.

JEFF WEAK: I guess that you won't have the sales tax revenue if the complexes aren't improved. So there wouldn't be a hotel that would come. So it's kind of a moot point. I mean, you're talking about what

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the fiscal note might be or might not be. The fiscal note really, it is a "but not for," the classic TIF, right? I mean, if you don't build the improvements or have the mechanism to build the improvements then you don't have a hotel that's going to generate the sales tax.

GROENE: Everybody's got to eat every day, and the soccer teams are there if you got a new field or not. And they're going to eat somewhere, and they might be eating in North Platte because teams will come to North Platte to play games.

JEFF WEAK: Well, and they should be built, a complex should be built in North Platte. Why isn't it built in North Platte?

GROENE: Because we do, and we use our Keno funds and we use our own tax dollars.

JEFF WEAK: I guess, I just see--

GROENE: I don't ask Omaha to build ours.

JEFF WEAK: Lake Malone, Maloney, as an example, has, has tons of open green space where fields could be built that I've always said if, I mean, that's the perfect resort spot for youth sports tourism.

GROENE: We have mechanisms, we give local taxing authority. We give them Keno money, they're just never satisfied. You'll never have enough money. That's a local decision to fill potholes and make sure kids have a place to play soccer. It's not my decision here at the Unicameral.

JEFF WEAK: Yeah, yeah, yeah.

GROENE: I'm not-- I know what you're trying to do. But it's got to stop somewhere. Thank you.

LINEHAN: Thank you, Senator Groene. Are there other questions for the committee? Thank you very much for being here.

JEFF WEAK: Thank you.

LINEHAN: I did have one question. When you said Maple, is Maple the one-- is it this next one or up here? Is it like one street up?

JEFF WEAK: Can I-- I don't have my--

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LINEHAN: OK, so.

JEFF WEAK: Can I come up? Is that OK, or not really.

LINEHAN: Not really. That's OK, we'll talk later.

JEFF WEAK: That's fine.

LINEHAN: OK, thanks very much. Next proponent.

JEFF McPEAK: Hello.

LINEHAN: Hi.

JEFF McPEAK: Chairman Linehan and members of the Revenue Committee, thank you for hearing my testimony. My name is Jeff McPeak, J-e-f-f M-c-P-e-a-k. I'm here to testify in support of LB187, not only as a parent, but as an interested business leader that wants to see our state attract new visitors through destination developments in the sports industry. I am father to three very active children, ages 12, 9, and 6. My children love sports and I love watch watching them play sports. My winter weekends are in gyms watching basketball, and my spring and summer weekends are at baseball complex is watching baseball. We often travel for these weekend tournaments. Unfortunately, our destinations are often out of state to places like Des Moines, Iowa; St. Joe, Missouri; Kansas City, Missouri; Sioux Falls, South Dakota; and very frequently, Council Bluffs, Iowa. We travel to tournaments out of state because that is where the athletic complexes that can support those tournaments are located. Unfortunately, Nebraska does not have the number and size of athletic complexes that our neighboring states do, especially in baseball. The most glaring example of the lack of athletic complexes is that portions of Nebraska State Baseball tournament are held in Council Bluffs, Iowa. I support this bill because I view it as an economic development tool. When we travel to these tournaments, there's typically a 100 or more teams participating. In basketball, each team typically as 8 team members. In baseball, they typically have 11 team members. Each player typically has family in tow, so you can see the multiplication effect here. These tournaments draw a significant number of visitors. When we travel to these sports complexes, we pay tournament fees, gate fees, stay in hotels, eat at restaurants, and frequent the local non, non-sports entertainment venues. These weekends and dollars spent in host communities are worthy of their own line, line item on the family budget. Unfortunately, far too often we

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are spending these dollars out of state with a bunch of other teams and families from Nebraska as well. In Nebraska-- if Nebraska had the athletics complexes to support these tournaments, we could keep these dollars homes, home and draw the visitors and their dollars. I view this bill as a needed support for athletic complexes that can drive tourism, recreation, and associated economic development in Nebraska. And with that, I'll answer any questions you may have.

LINEHAN: Thank you, Mr. McPeak. Are there questions for the committee? Senator Groene.

GROENE: Thank you, Chairman. I appreciate what you do, for you. Doesn't during the College World Series there's a huge tourney, baseball tournament, from all over the country kids come in and play. They got enough baseball fields for that.

JEFF McPEAK: Yeah.

GROENE: And, I mean, it's a huge tournament.

JEFF McPEAK: Yeah.

GROENE: So they do have baseball fields, and a lot of them.

JEFF McPEAK: I'm not supporting any particular project and by any means by my testimony. I just think this is a good tool to have in the toolbox for any community that wants to--

GROENE: And you're from Omaha?

JEFF McPEAK: --build a complex. No, I'm from Lincoln.

GROENE: All right. So if it's a great economic venture, I keep hearing city councils say it's economic, economic, why aren't they building new parks to bring all this economic activity in with their local control and their local taxes?

JEFF McPEAK: Yeah, again, I think this is a tool in the toolbox. If you can, if you can gather a lot of the capital needed and this is a part of it to make, make the project a go, I think it's a worthy investment.

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GROENE: You probably don't know this, but they also have a 4-cent tax, occupation tax on hotels for tourist activities and construction. Do you know what Lancaster County does with theirs?

JEFF McPEAK: I don't know on that.

GROENE: All right, thank you. You might look into that.

JEFF McPEAK: OK.

GROENE: Find out what they're spending that money on. Thank you.

JEFF McPEAK: OK, thank you.

LINEHAN: Thank you, Senator Groene. Wait. Is there anybody, any other members on the committee? OK. Thank you, Mr. McPeak.

JEFF McPEAK: Thank you.

LINEHAN: Other proponents? Good afternoon.

DAN MUHLEISEN: Good afternoon. Chairwoman Linehan and members of the Revenue Committee, my name is Dan Muhleisen, D-a-n M-u-h-l-e-i-s-e-n. I'm testifying today for the Lincoln Chamber of Commerce, Lancaster Convention and Visitors Bureau, and myself in support of LB187. For the past 13 years, we've been trying to build a youth baseball complex in Lincoln. This bill would help us during the initial construction, as well as the operation and maintenance of those facilities. In 2006, a group was formed in Lincoln called Vision 2015. This was one of the original pillars of that group, is to build that, that youth base, baseball complex, along with many other projects. This is the only one that hasn't been built, and we've been working on this thing for 13 years. What we've, what we really want to try and do to build this thing is create a private-public partnership where we would have the city, the Convention and Visitors Bureau, and the private sector. And we'd, like I say, we've been working on it for 13 years trying to kick in a third, a third, and a third. What this bill would do would help us make up those shortfalls that we have at this point so that we can get this project built. Some of the, you know, 18 months ago, the Convention Builders Bureau and the Lincoln Chamber of Commerce hired a consultant to do a feasibility study for this park. Some of the highlights of that feasibility study included the increase in tourism, tourism, which will increase lodging and state sales tax both for the state and at the local level. Visitors to this park from other communities would be an economic boost because they would spend their

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dollars for lodging, food, gas, entertainment, and admissions. It would also spur economic development within the area of this park. With the tournaments that we would have with a new facility like this, the complex was estimated to draw in the first year alone: 141,000 visitors to Lincoln and by year three, we had estimated that it would increase to 234,000 visitors to Lincoln. We are so close to making this goal a reality. We feel that the passage of LB187 would make his dream come true. We would strongly urge you to support and pass LB187. Thank you for your time, and I'd be glad to answer any questions that I could.

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

GROENE: Thank you. Have you heard about what happened in Hastings, their softball complex? Everything you just said, somebody sold the city of Hastings on that private. It's a fiasco, financial fiasco. They have big tournaments, but the cost of it, the city had to take on that because the private partner went broke. Have you heard about the Ralston arena that was such a great idea? Same sales pitch. Where does it stop?

DAN MUHLEISEN: Here, here's what I'd tell you. The reason we haven't built this project, and like I say, we've been working on it for 13 years, is that we feel that we've got to start this thing very close to being debt free. So like I say, I think we can re-- I'm pretty sure, almost positive we can raise that one-third from the private sector. We can all, we've already worked with the Lancaster Convention and Visitors Bureau and we think we can get their one-third. Where we're falling short is with the city's one-third at this point. But we're close. This would just, like I say, help us with the shortfall, and it would help us in the future with operation and maintenance. Our, our numbers show that this thing can sustain, sustain itself. It will cash flow as long as we have very little debt to start. That's why we haven't built it yet.

GROENE: You might want to check your consultant and see if he's the same one that told Hastings it would work out. All right, thank you.

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

DAN MUHLEISEN: Thank you.

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LINEHAN: You're welcome. Other proponents?

ANDY POLLOCK: Chairwoman Linehan, members of the Revenue Committee, my name is Andy Pollock, it's A-n-d-y, Pollock is P-o-l-l-o-c-k. I'm here as a registered lobbyist and representative of the Nebraska Travel Association. The Nebraska Travel Association proudly is the representative group of the travel and tourism industry in the state. We represent organizations and businesses that are part of the travel and tourism industry all across the state, including in rural areas. And I would really focus my testimony, testimony on that. You've heard from several people from Lincoln and Omaha. David Fudge is the director, or the president, excuse me, of the Nebraska Travel Association this year. He operates Nebraskaland Days, Days out in North Platte. He wanted to be here today, but he's heading up a very important fundraising event for that, a private fundraising event for Nebraskaland Days. And he expresses his disappointment in not being able to be here and give you a truly rural perspective. We support this bill. We support it for a few different reasons, and I'll explain those briefly. First of all, I, it would help Lincoln and Omaha. You've heard testimony on that. But you've also got a bill in front of you this year that uniquely tries to recognize that smaller cities, cities of all sizes, including villages, may need similar facilities. And it gives them a lower threshold for funding that they have to satisfy to receive funds from, from this program. So it does recognize that there are differences between Omaha and Lincoln and smaller cities throughout the state. The other thing that I think it's important for this committee to recognize is this is a program that's roughly 9 years old. I think it was started in 2010. I wasn't representing the Travel Association then, but I know a little bit about the history. And one of the important components, political components of that bill back in 2010, was an insistence on the part of senators like, unfortunately Senator Groene is gone, but insistence on the part of senators from rural Nebraska that they not be left out. Because this would turn back and divert state sales tax dollars to a local project. There's no question that it would. Part of that grand compromise back in 2010 was that a third of these funds would go to fund called Community and Civic Center Financing Fund, and that is especially set aside for smaller communities in Nebraska. It's basically off limits for the cities of Omaha, Lincoln. So actually, with all due respect, Senator Friesen, Henderson would get a benefit from this if it had a CCCF project that it would want to pursue. Plus, this bill uniquely allows communities of smaller sizes, like I said before, to capitalize on projects themselves. I especially mention

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border communities. I grew up in Ogallala, it's not too far from the Colorado border. Certainly there are events that would go to Sterling and Fort Morgan that Ogallala might have an opportunity of. Scottsbluff sitting on the Wyoming border is another classic example, and you can come up with several of your own. What I would say in response to Senator Groene's good questions is that there have been funds there have been facilities that have built that have not been successful. He mentioned a couple of them. They've struggled, we recognize that. But there have also been facilities like Pinnacle Bank Arena here in Lincoln which have been tremendously successful. They spurred economic development in those areas. They've been great things, not just for the community of Lincoln, but for rural Nebraska as well. It, and that really boils down to a local control and local management issue. And that's certainly something that the Legislature can keep its eyes on and make sure that people do a good job like they did with Pinnacle Bank and they avoid some of the mistakes that they've made with some of the other projects. With that, I'll conclude and I'll be glad to try to answer questions.

LINEHAN: Thank you, Mr. Pollock. Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Thank you, Mr. Pollock, for your testimony. The city of Omaha, and I think the state of Nebraska as well, charges some of the highest excise taxes in the country for rental cars, hotel rooms, and etcetera. Doesn't a good amount of that money-- isn't some of that money available for such worthy causes as you described?

ANDY POLLOCK: Yes, it is. And it is being used for those projects. And I think you heard from the last witness that that's a component of what they'd like to do here in Lincoln, a certain amount of money from those hotel lodging taxes goes to that the CVB here in Lincoln, and, and they're a partner in this. This would just add another tool to that toolbox. And we're envisioning not just using a ranch or a hammer in this, but a screwdriver as well. And so this would be an additional tool to try to accomplish their goals.

McCOLLISTER: Don't they already receive that money? Those excise taxes are set up, set up on a statewide basis, correct?

ANDY POLLOCK: They do receive money, yes. This would not create a new tax, it would divert existing taxes and largely from, from new businesses. So it's, I mean, those are tools too, Senator McCollister.

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I hear where you're coming from, and I don't disagree with that. This is just an additional tool.

McCOLLISTER: But it conceivably takes money away from the state, does it not? Because those taxes ordinarily would be going to the state instead of--

ANDY POLLOCK: Yeah. And that's, you know, that is definitely the case. Some of these moneys would be going to the state. This bill says, hey, it's important to try to build these facilities. And these facilities tend to spur, like you've seen with the Pinnacle Bank Arena, spur economic development. So rather than just dealing with the fixed pie of state money and being concerned about it being taken from the state, this would hopefully, and in many cases like Pinnacle Bank, would expand that pie and basically incentivize the project by sending some of the money directly there.

McCOLLISTER: Thanks, Andy.

ANDY POLLOCK: You bet. Thank you.

LINEHAN: Thank you, Senator McCollister. Are there other questions for the committee? I have-- I feel like I should jump in here for the sponsor of the bill, because I think there's some confusion. The turn back can only happen 24 months before, so it can go into effect 24 months before something's built. And then it ends after 48 months.

ANDY POLLOCK: That's my understanding.

LINEHAN: So taking that Haymarket and Pinnacle Bank Arena into account, all the development that happened down there and all the restaurants-- I don't know if that's been four years ago, it seems like that's been at least four years ago.

ANDY POLLOCK: It has been.

LINEHAN: So all the sales tax that's generated in that area now comes to this, it comes to the state, right?

ANDY POLLOCK: That's a great point. That's exactly right.

LINEHAN: And there would be some question about whether that tax would even be there had not been for the Pinnacle Bank Arena.

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ANDY POLLOCK: I wish I would have said that.

LINEHAN: Thank you.

ANDY POLLOCK: Thank you.

LINEHAN: Thank you. Other proponents? Any opponents? Anyone wanting to testify in the neutral position? Senator Lindstrom would you like to close?

LINDSTROM: Thank you, Chairwoman Linehan. I'll be brief, because I have two more bills. And thank you for pointing that out, it's right. It's, it's a finite amount of time in which these resources could be used for the local project. And obviously being familiar with that, that area, there is a lot of room for economic development there. The facilities exist right now. But I know, and Councilwoman Melton spoke on this, but the city has put in some investment inside there with one field. Which you get a lot more bang for your buck, particularly with those, the field turf versus the upkeep of grass. And so this would allow them to build up around that. And I remember growing up as a kid playing youth sports, I can't remember a time that we ever had a regional tournament in Nebraska, and particularly in Omaha. Anything we did was in Kansas City, Shawnee Mission for football tournaments. So we are missing out on a lot of economic development. I think that the testimony today reflected that and maybe a two-to-one, three-to-one investment or outcome on that investment. And again, it is short-lived. I know that not all communities will take advantage of it, but we tried to put into the legislation that that all could if they chose to with regards the size. And I would imagine the family truckster driving from Colorado to Omaha would stop through Henderson and spend some local dollars there. And I always find it interesting, and I wish Senator Groene was here, but I'll talk to him about this later too, but the local control issue. And, you know, oftentimes we do vote for things that don't necessarily dictate-- or direct, direct correlation or relation to our districts. I have very few farmers in my district. Would I vote for property tax relief for farmers? Yeah, because it's good for Nebraska, and it's good for, for all Nebraskans. So I would just ask that we don't look at it as an Omaha issue, that we look at it as an economic development issue that that does spill into the rest of the state. And so with that, I'll be happy to answer, answer any final questions that you may have.

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LINEHAN: Thank you, Senator Lindstrom. Are there any questions? I almost said Senator Henderson. Senator Friesen.

FRIESEN: Close. Thank you, Chairman Linehan. So, I mean, I'm listening to the numbers. And if you look at the numbers and the tourism it's gonna bring in, if I was a private industry, wouldn't you just build the thing? Because it's going to pay for itself.

LINDSTROM: Well, and we'll see if that happens. I think that having the public-private partnership is just beneficial in this particular case, and we'll see if they want to take the next step. But I, I think it's a-- I don't know if the hotels necessarily around that area and or any, and I said realtors before, I met retailers. I apologize for that. A lot of that expansion that could grow around that, I don't know if that would happen in conjunction with the building in the field if we didn't do it this way.

FRIESEN: It's a little bit like some of these sites. They, they won't have any retail growing around, they've been there for a while. But the possibility is there. But when I look at the numbers that you guys were throwing out, and there is a very good potential of development in that area if you're going to bring in those kinds of people. It really does make a good economic case for just doing it.

LINDSTROM: Are you interested in investing?

FRIESEN: You want to buy some farm ground?

LINDSTROM: What's it going for? If we lessen the property tax, yeah, I would.

LINEHAN: Other questions from the committee? Thank you very much, Senator Lindstrom. We do have letters for the record, I'm sorry. Proponents. This was brought up: Daniel Mulhall from Mulhall's; Brandon Kauffman, city of Lincoln; Aimee Melton. She was here. Rich Pahls is the other city council member. There were no opponents and no one came in neutral. With that, we close the hearing on LB187 and begin the hearing on LB242.

LINDSTROM: Good afternoon, Madam Chair and members of the Revenue Committee members. Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. And I bring LB242 for your consideration today. Nebraskans recognize the statewide importance of maintaining our infrastructure. As a matter of public

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policy, the state of Nebraska has invested and continues to make significant investment in our roads and bridges. LB242 addresses another important facet of our state's infrastructure that is often ignored because we can't visually see it: our sewer and water infrastructure. LB242 seeks to return a phased-in portion of the state's 5.5 percent sales tax collected on water and sewer services to assist all Nebraska communities statewide in updating much-needed water and sewer delivery systems. The bill would have the states turn back 36 percent of the 5.5 percent of the state's sales tax dollars collected for potable water and sewer services from July 1, 2019, through June 30, 2021; turn back tax 56 percent of the 5.5 percent of state sales tax dollars from July 1, 2021 through June 30, 2023; and turn back 76 percent of the 5.5 percent of state tax dollars after July 1, 2023. The Fiscal Office had a different interpretation of the intent of AM-- of the intent. AM430-- AM434, which I passed out, clarifies their intent and inserts a flat percentage on the turn back tax amount. And I have handed out an additional document that show the turn back percentage and impact the state General Fund. So essentially, just to deviate here, what happened was the-- we were going to take 2 percent of the 5.5 percent out of that. So essentially 3.5 percent would continue to go to the state. What the interpretation was, it would be 2 percent of the 5.5 percent, so it's significantly less. So if that makes sense, that's the clarification there, and that's why those numbers are different. LB242 fiscal note could be adjusted by simply adjusting the rate of any proposed turn back. In this sense, this Legislature, Legislature could adjust the fiscal implication of LB242 by alternating the percentage of any future turn back. I am open to working with the committee on addressing any concerns related to LB242's fiscal note. This legislation provides much-needed fiscal assistance for water quality projects including nitrate mitigation, or addressing other water quality concerns for drinking water. Nebraska has vested interest in our sewer and water resources from Grand Island, Hastings, Plattsmouth, Waverley, Blair, and communities across the state. Being able to provide water and sewer is critical to our economic development, sanitation, and living standards for all Nebraskans, and unfortunately, they are these projects that are very expensive. Nebraska is at a critical junction where we need to begin partnering with rather than-- partnering rather than profiting from much-needed statewide infrastructure upgrades. Many of you might ask why the state should become a partner in this endeavor. There are many compelling answers. First, Nebraska current tax policy for water and sewer system hinders economic development, development by discouraging businesses from locating or expanding in

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our state. Nebraska has had recent opportunities to lure future large-scale economic development projects along the I-80 corridor, and our ability to provide water and sewer services along the corridor will make us more competitive. In eastern Nebraska we have experienced significant economic development along the corridor, along the corridor, Highway 50 corridor. These projects have required significant capital expenditures to provide water and sewer infrastructure. We need more of these projects to expand our tax base. You should know that there are some states that do not tax potable water, and that's 40 of 50 states do not tax residential potable water services, according to our own Policy Research Office. You will hear a little bit more about the economic impact of Nebraska's water tax policy. Has been on businesses with testimony from James Timmerman of Nebraska Beef; second, Nebraska is regressive in how it taxes water services by employing a double tax, not on sewer, but on potable water. Subsequent, subsequently, testimony will be offered by Nebraska's unique water tax policies. Nebraskans are, are going to find it more and more difficult to afford, afford domestic water and sewer services as their water bills begin to reflect the need to update infrastructure and meet federal standard, standards and replace end of life water and sewer mains. My community of Omaha continues to struggle with the unfunded federal mandate of combined sewer overflow or CSO. There will be a representative of Omaha City Council here to fill in more information on that. If our citizens can't afford essential water services in their own home, social services will need to fill the gap. State senators from Omaha and around the state are going to be hearing more and more about this as communities struggle to finance significant increase in water fees. Finally, as I mentioned earlier, the state is beginning to realize an annual increase in financial, in a financial windfall as Nebraskans' water and sewer rates significantly increase. None of these additional revenues are currently being used to offset the underlying costs of water services, but instead they are being placed in the state's General Fund. This bill begins to direct income relief to the vast majority of our citizens on demand-- domestic water service systems. Nebraska communities across the state are not unlike Omaha. Our nation's water infrastructure is reaching or has passed the intended service life. This is a national issue and Nebraska is not immune from these challenges. LB242 makes the state become part of the solution to modern, modernizing our wastewater and potable water delivery systems. And with that, I'll be happy to take any questions you may have.

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LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? This has been explained to me a couple different times, so let me try. So because water bills had to go up significantly, \$50 a month for people in Omaha, I think, then automatically the sales tax increased greatly. And that's what you mean about as far profiting versus partnering.

LINDSTROM: Yeah. Omaha's rate of growth has been and then maybe somebody could behind me can touch on the percentage. But has grown quicker relative to other communities across the state.

LINEHAN: Because they have to redo all their sewers.

LINDSTROM: The CSO is part of that big, the unfunded mandate from the feds is a big part of that infrastructure.

LINEHAN: Thank you. Any other questions? OK. You'll be here close because you'll be here until the end. Proponents? Quick, quick, it's Friday.

DONNA GARDEN: Good afternoon, Madam Chair, members of the committee. My name is Donna Garden, that's D-o-n-n-a G-a-r-d-e-n, and I am the assistant director of the city of Lincoln's Transportation and Utilities Department. I'm here today to testify in support of LB242 for water and wastewater infrastructure improvement and replacement. Thank you for the opportunity to discuss how this act would positively impact the city of Lincoln. As you know, infrastructure improvement and replacement in our water and wastewater systems is crucial to maintaining the health and safety of our citizens. This is a high priority recognized across federal, state, and local levels. The importance of improvement projects in delivering a well-operating clean water system our immeasurable: health, safety, ability to grow, economic impact. But so are the consequences of inaction. And, of course, the question always comes down funding. Without adequate funding, all systems will ultimately fail, taking away the quality of life we take for granted. Clean water and sanitation, it's vital, it's essential. The city of Lincoln works very hard to maintain a robust repair and replacement program for its water and wastewater infrastructure. In Lincoln we have studied the performance of our water distribution system and know that if we don't replace at least seven miles of older mains per year, we'll lose the battle with water main breaks. Water main breaks can cause significant damage to public and private property, and disrupt water services to business, industry, and residential customers. In order to maintain this system,

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Lincoln is spending over \$6 million per year with hopes of increasing future funding. Lincoln is fortunate enough to be a growing city. But with that growth, we must invest considerable funding for water supply wells, pump stations, reservoirs, and new mains Lincoln wastewater spends at least \$2 million per year in order to rehab our sewer system, and in making progress on funding for future treatment plant expansions to meet some of those regulations that we hear are coming and our trunk sewer expansion costing tens of millions of dollars. The consequences of wastewater system degradation or failure is something none of us want to even think about or experience, including property damage due to sewer backups and irreparable harm to our state's beautiful rivers and streams. All Lincoln water and wastewater projects are funded entirely by the ratepayers. It's an enterprise fund. There are no property taxes associated with funding those two, two areas. These same ratepayers pay sales tax on the water and wastewater services that they receive. This bill allows for more of those hard-earned dollars to fund the service that they are counting on for their families and businesses. With federal funding availability trending downward over the last 15 years, we've found ways to stretch her dollars in our budget. Federal aid to a city such as Lincoln is only in the form of loans, albeit with low interest rates. There are no federal grants available to us. The state of Nebraska has provided funding for some infrastructure projects via the Water Sustainability Fund, and Lincoln has benefited from that fund and is very grateful for its creation. This bill would turn back to the Lincoln water and wastewater system between \$1.2 million and \$2.4 million per year. All of it would be used for infrastructure repair and replacement. We all acknowledge that infrastructure repair and replacement is necessary for safe and healthy families and growing businesses. We strongly encourage you to consider this act. Please help all Nebraska municipalities construct, upgrade, redevelop, rehab, and replace sewer and water infrastructure facilities with a percentage of the sales tax paid on these important services. Thank you, and I'd be happy to answer any questions.

LINEHAN: Thank you. Are there any questions? Yes, Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Ms. Garden, so it's come to my attention recently that there are some municipalities that do cash transfers out of their enterprise funds and into their general fund. Does the city of Lincoln ever do that?

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DONNA GARDEN: No, it does not. And we do have an audit every year that shows where all of our funding comes from and goes to.

FRIESEN: All of those sewer and water funds that you charge stay in that enterprise fund and are spent in upgrading the system?

DONNA GARDEN: Yes, they do.

FRIESEN: Do you know if there are municipalities that you know of that do this?

DONNA GARDEN: I do not know that for sure.

FRIESEN: OK. So that with growth again, and I know the city has struggled with that, you know, the lot, the annexation part, and the new developments that are happening to get water mains and sewer mains out there. And so you added impact fees, and so through this growth has-- you're not able to maintain the system yet because of that extra growth that's happening?

DONNA GARDEN: Actually, as I say, we spend a lot of money before the city ever grows out to that area. The impact fees that are charged here in Lincoln do not cover the cost of the growth for both the water and the wastewater systems. And, for instance, the Stevens Creek trunk sewer that we are currently putting in right now costs approximately \$15 million up front. But those properties won't be developed for many, many years.

FRIESEN: OK. What, what are your typical water rates for a residential?

DONNA GARDEN: I do have those right. Here we have for our water rates are about \$30 a month. Our wastewater rates are about \$25 a month.

FRIESEN: OK. Thank you.

LINEHAN: Thank you, Senator Friesen. Are there other questions from the committee? Senator McCollister.

MCCOLLISTER: Thank you, Madam Chair. I know for a fact that MUD has a capital facilities charge to pay a levy on developers when a new area is plotted or developed. Does Lincoln have a similar kind of mechanism?

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DONNA GARDEN: We don't. But our water rates that we do charge are split into a kind of fixed-cost fee or service fee that is goes towards a lot of our fixed assets. And then we have a volumetric charge on top of that for the amount of water that individuals use. But we don't have an actual fund that's separate from that mechanism.

McCOLLISTER: That helps the utility build the water infrastructure to new areas. You don't?

DONNA GARDEN: We don't.

McCOLLISTER: That's interesting. Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony. So what is the city's total revenue annually from water and wastewater?

DONNA GARDEN: About \$59 million.

BRIESE: About \$59 million. And this proposal would bring in \$1.2 to \$2.4 per year?

DONNA GARDEN: Yeah, and that's just the variance between those percentage rates that change over the years.

BRIESE: OK, thank you.

LINEHAN: Thank you, Senator Briese. Other questions? So you have somebody developing a development. Do you have SIDs in Lincoln?

DONNA GARDEN: We do not.

LINEHAN: So you, so the developer doesn't have to pay for all the infrastructure?

DONNA GARDEN: The developer actually pays for the infrastructure within the development, but all the mains that attach that to the sewer the rest of the way, those are ours.

LINEHAN: But you have to, the city has to agree to take it out there, right?

DONNA GARDEN: We do. We annex that area. That's correct.

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LINEHAN: OK. You annex it before it's fully developed?

DONNA GARDEN: Yes.

LINEHAN: OK. Senator McCollister.

McCOLLISTER: Yeah. Thank you, Madam Chair. So when a person applies to get a water service to the city of Lincoln, is there a charge that is made to that customer initially?

DONNA GARDEN: There is a charge. It's a, it's a small, nominal fee. Yes. And the other charge that's charged to a new homeowner, for instance, is an impact fee. And that is when the home is built or when it's connected to the system.

McCOLLISTER: Who collects for the sewer fees?

DONNA GARDEN: The city does.

McCOLLISTER: City-- similar arrangement to MUD?

DONNA GARDEN: Yes. Well, we have both city-- we want both water and wastewater of the city. That's correct.

McCOLLISTER: So--

DONNA GARDEN: It's not, it's not like MUD. MUD is separate from the city of Omaha.

McCOLLISTER: But there's no requirement from the EPA for you to redesign your sewage system currently?

DONNA GARDEN: We do not have a combined sewer in Lincoln. They're total, they're separate. So we haven't had--

McCOLLISTER: OK.

DONNA GARDEN: We're just under the regulations for a wastewater treatment plant.

McCOLLISTER: OK, thank you.

LINEHAN: Thank you, Senator McCollister. Senator Kolterman.

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KOLTERMAN: Thank you, Senator Linehan. Thank you for coming today. So your impact fees, is that based on the size of a lot or is it a flat fee per lot?

DONNA GARDEN: I'm afraid I'm not going to be able to answer that. I do believe it's a flat fee on a residential, based upon the size of the, like for instance how much water they would take. But I'm not-- I'd have to get some more information on that.

KOLTERMAN: But that's in addition to the cost of the lot and the infrastructure that the contractor has to put there, the developer has to put in? Is that not correct?

DONNA GARDEN: That is correct.

KOLTERMAN: What does, what does it cover? What's that intended to--

DONNA GARDEN: It's intended to cover particularly street development in the area. It has some portion of it for water and wastewater, although not sufficient enough to cover the entire cost of what we spend. And it also covers parks for the area, and I think some lighting improvements in the area for that development.

KOLTERMAN: Thank you.

LINEHAN: Excuse me. Thank you, Senator Kolterman. So you said-- any other questions? I have one more. You don't use any property taxes, income-- is there, is there a reason, is there a law that you can't use any property taxing revenue?

DONNA GARDEN: Well, we are, we're basically called an enterprise fund, where all of our rates go for the actual maintenance and operation of our water and wastewater facilities. So it's set aside and it's separate from, from property taxes. We use no GO bonds, we use strictly revenue bonds that are backed by rate, the ratepayers.

LINEHAN: I really, OK. So that's what you do, but there, is there a law that says that's what you have to do, or is that just your decision?

DONNA GARDEN: I think it's in our, maybe in our city charter.

LINEHAN: OK, but that could be changed. It's not a state law or federal law, it's your rules and regs.

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DONNA GARDEN: Not sure about that.

LINEHAN: Okay. All right, thank you very much. Any other questions? Seeing none, thank you.

DONNA GARDEN: Thank you.

LINEHAN: Next proponent.

AIMEE MELTON: Chairman Linehan, thank you. Aimee Melton, A-i-m-e-e M-e-l-t-o-n, from the Omaha City Council. Thank you for listening to me on the second time today. So I am here in support of LB242. And again, the mayor and all seven city council members do support this legislation for the city of Omaha. It's not often that we do agree on everything unanimously, but the two that I am here today on, I do have the full support of the city of Omaha. And actually, this is one of our, one of our main priorities. This is something that we believe is very important to realize. That this has important implications, not just for the city of Omaha because of our CSO project, but for all of Nebraskans. And I think that this bill will, will help cities all over with improving their water services, not just the citizens of Omaha. We do continue to struggle to finance our federally-mandated combined sewer overflow project, which is anywhere from \$2 to \$3 billion on the backs of taxpayers of the city of Omaha. In fact, as costs go up, just within this last year and we did an RFP for one of our projects, and we had engineer estimates of around \$85 to \$90 million. And the lowest bid came back at \$123 million. We ended up turning that down and we waited another six to eight months before we issued the RFP. But it's just an example of as the costs go up, as well the cost that we're facing here in Omaha, due to this federal mandate. As recently as 2007, Omaha residential customers were paying roughly \$12 a month in sewer fees. As of today, we're paying about \$51 in sewer fees. In fact, the city council had to vote to raise that fee just a couple months ago because we're mandated by a consent decree to do so every four years, and that's going to continue to go up. And in fact, it's estimated by 2026 it's going to be \$77 per month just for the sewer, and that is a significant burden for a lot of people in Omaha and a lot of households in Omaha. Although there is some assistance, there's not a lot of assistance. And when we talk about even property taxes, when you're looking at \$77 per month that you're paying just in sewer costs, that is an extreme burden for many, many families. Not just low-income families, but even middle-class families who can't afford to pay for something that you need: water, clean water and sewers. So we are asking the state for some help. We are just asking for a turn

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back. The state does get a windfall from the sales tax on the assessment that we have to do. And we understand, we want to continue to benefit the state. We're just asking for some assistance in turning back some of these funds so that they can go back into our fund. The city of Omaha, we do not use any of our enterprise funds to go in the general fund. And I believe that it's actually against the law to do so, and we do have audits and we audit our, our budget and all of our accounts to make sure that that's not happening in the, in the city of Omaha. So I can, I can assure the committee that any of the money that would be turned back would be used just for water and sewer infrastructure costs for the city of Omaha. And again, the city of Omaha is not looking for the state of Nebraska to bail us out of this. We understand that this is our responsibility. But what I'm trying to do is find little ways from everybody to where we can get support. This is just one where I think we can do a turn back tax. And right now the state of Nebraska is receiving about \$8 million in taxes. In 2019, it will be about \$9.3 million in sales tax revenue that the state will be receiving just as the taxes on the assessment. And so if we, if we could at least get 2 percent of that back, and maybe have it grow along the way, I think Nebraska, the state of Nebraska would still receive additional revenues. But the city of Omaha and other cities, smaller cities and municipalities around the whole state, would benefit by being able to use this to improve their water infrastructure. Thank you. I'm here to, and can answer any questions.

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

BRIESE: Thank you, Chairman Linehan, and thank you for your testimony. Any idea what the total revenue is from a water sewer fees for the city of Omaha?

AIMEE MELTON: So the, well, just the sewer fees we collect, in 2019, we'll collect about \$170 million.

BRIESE: How about water?

AIMEE MELTON: Water would be a little bit less. So we're collecting about \$50 per month for sewer, and it's about \$40-- the average is about \$40 per month for water. So it would just be a little bit lower.

BRIESE: How many dollars would this proposal bring in to the city?

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AIMEE MELTON: That would be about \$8 million. I would say about \$8 million. We're asking that it would go up, so it would be about 2 percent of-- let me see, if I can refer to my notes. I apologize, Senator. We would get, we would get about between \$2 and \$3 million back.

BRIESE: Two to \$3 million?

AIMEE MELTON: Correct.

BRIESE: OK, thank you.

AIMEE MELTON: Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? Thank you for being here. And you all do a very good job in Omaha, so I didn't want to-- but I'm just sitting here thinking, if it goes up to \$77 a month, that's \$924 a year.

AIMEE MELTON: Yes. And in fact, the-- I kind of, I passed out, it's a graph. A graph chart which shows the increase in the sewer rates versus the water rates. The blue is the water rates and the red is the sewer. And you can see how the sewer rates where, you know, when it started they were almost equal. And it's the, the sewer rates that are going to go up to the point that I think, I mean, costing individuals to the point where they may not be able to, to pay that. So I know when we talk about increases in property taxes we'll talk about, you know, \$100 per year per \$100,000 on a home. This is per month. This is \$77 per month for each home, and so that's significant.

LINEHAN: But what I think we might, the challenge we may be facing here is this is probably \$700 or \$800 dollars the family is going to spend on something. And now, because that to pay this bill, they're paying, so the state-- I mean, I know it would seem, if I am sitting in Omaha looking at this like we're getting a big additional sales tax revenue, but this money would probably be spent on something, and we haven't seen any big increase in sales tax revenues. That's, we're not seeing it here.

AIMEE MELTON: Right, and I understand that. And that, that's why we're only looking for the 2 percent to come back. And what, what our goal would be is currently we're at \$51. And we didn't have to go as high as we thought we were going to have to go because what the city of Omaha is doing with science and research and as time goes, we are

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finding better and smarter ways to do the CSO project. And Jim Theiler from the city of Omaha is here that could probably discuss that in greater detail. And our goal is to find ways that we can decrease the price. The projects don't have to be as big because of science and technology and some of the things that we're doing. Our additional goal would be that we don't have to raise that assessment to \$77 by 2026. My goal would be that we could keep that down, and perhaps even start to lower it, sooner so that we don't hit that maximum amount. So I'm trying to provide that relief before it gets kind of out of hand, so to speak. The state would still be receiving its sales tax revenue, but some of it would be coming back to help us with our water infrastructure. And again, other communities, they may not be faced with the federal mandate that the city of Omaha is faced with, but they are faced with making sure that they have clean water and they are faced with sewer infrastructure and things that they need to do. So this isn't, again, this isn't just an Omaha-centered bill. I think it's something that could help everybody and everybody's communities around the state.

LINEHAN: Thank you. Other questions? Seeing none, thank you, again, for being here.

AIMEE MELTON: Thank you very much, Senator.

LINEHAN: Next proponent.

RICK KUBAT: Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Rick Kubat, that's R-i-c-k K-u-b-a-t, here today on behalf of the Metropolitan Utilities District of Omaha or MUD. MUD provides potable water services to the Omaha metro area and surrounding communities, and we serve roughly 600,000 Nebraskans or close to one-third of our state's citizens. This includes the communities of Bellevue, Bennington, La Vista, Ralston, Waterloo, Fort Calhoun, and Offutt Air Force Base. We do not provide wastewater services, we essentially deliver the clean water through the tap. However, what we do do is we build sewer for the communities that we serve, and then we remit those fees back to the communities that provide for sewer services. What I want to do real quick today is kind of cover Nebraska's tax policy on water. We've got a very unique tax policy here in Nebraska, and I would argue it's rather excessive. This first pie chart that I've provided you, it's old information, it's from 2005 from the Department of Natural Resource, but it largely holds true today. And this chart essentially shows how we use our water in Nebraska. Ninety, roughly 93 percent of our state's overall

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water use is used for our number one industry: agriculture. The red sector section here is what we use for the public water supply, that's all domestic, residential, industrial. Anything hooked up to a public water supply system is roughly 3.6 percent. We certainly don't tax irrigated ag. I'm fairly certain we don't tax these other subcategories. The only water we tax in Nebraska is that that is delivered through the tap. So moving on, the next, the next page, as we discuss what's taxed and not taxed. Bottled water gets your grocers exemption. We don't tax irrigated ag, we tax water delivered through the tap, industry, and sewer. And so real quick, as this, there-- some folks are confused about this. We're gonna talk about wastewater systems. When cities go out and buy pipes, mains, and materials for the build out of their wastewater system, they get the municipal tax exemption. And you do not pay city and state sales tax on the inputs and materials on the wastewater side. When communities bill for wastewater services, there is a one-time city and state sales tax on your, on your sewer bill, but inputs and materials are exempt. So we're going to move wastewater to one side, and now we're going to talk about what makes Nebraska-- I like to say-- goofy. On the potable water are the delivery of the clean water distribution. When communities go out and buy pipes, mains, and materials, they pay city and state sales tax on that. There are some narrow exemptions for items that fall under the category of processing, refining, and manufacturing, such as chlorine. But the vast majority of things necessary to operate the clean water system subject to city and state sales tax gets incorporated into folks' water bills, and then, unfortunately, here in Nebraska our public is subject to city and state sales tax a second time. So you've got a pyramiding or cascading of taxation, or a double tax. So this piqued my, our interest, and a few years ago we reached out to AWWA and AMWA, the American Metropolitan Water Agency and said, hey, has anybody looked at a state-by-state analysis of this? And before I get into this, I always start with it's a very difficult to do apples-to-apples because every state is unique, and so I think that's the reason why a lot of states haven't done so. They sent out a 15-state questionnaire, 15 random states responded. Six states said, hey, we don't tax residential potable water at all because of its regressive nature. You can't have water in the home, you're going to have other more expensive social services kick in. Eight states would tax either inputs and materials or the back end of the bill. Of the random 15 states, the only one that we could find that was like Nebraska was Arizona. But at least with Arizona they used a portion of those revenue streams to help with underlying water costs. And then this, the very last page, was

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information provided by the state's Legislative Research Office, the last document that I provided, if I can quickly wrap up here. Nebraska is one of eight states that has a tax on residential water services, 42 states that do not. But to show we're not cherry-picking our information, we are in the majority of states that has some sort of tax on inputs and materials.

LINEHAN: OK, thank you very much. Yes, Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. So how much is your tax per gallon on water?

RICK KUBAT: It's actually, I would say, if you're talking water and sewer collectively, our average monthly bill is going to be \$90. So I'd say it's probably pretty close to \$5.30, because at \$100 it would be \$5.50.

FRIESEN: What does that come to per gallon? Are, are you actually taxing the water or are you taxing the delivery of the water?

RICK KUBAT: I would say--

FRIESEN: Because water is free.

RICK KUBAT: I would say all the above, because there's gonna be different components built into the rate structure, including commodity charges, fixed charges. So when we bill out, we're billing out for the cost of the delivery, the cost to produce, and the collective cost of sewer and water.

FRIESEN: But water itself is free.

RICK KUBAT: You can--

FRIESEN: You have to treat it, and so you're, you're collecting the sales tax on the delivery of water, drinking water.

RICK KUBAT: That's correct, and I would say primarily the costs are getting it to where it needs to go. The delivery system.

FRIESEN: Some cities have no water meters on because they don't measure it. So that's not a tax, really, on water, it's, it's a tax on other costs of delivering that water. Would that be--

RICK KUBAT: I would agree with that.

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FRIESEN: OK, thank you.

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

RODNEY STORM: Chairman, committee members, my name is Rodney Storm, R-o-d-n-e-y S-t-o-r-m, the city administrator for the city of Blair, Nebraska. I've got my prepared testimony there that I'm going to let you read at your leisure. I'm sure you got a long afternoon and you don't need to me, have me sat here and repeated it word for word. We're here to support LB242 to help create a partnership between the state of Nebraska and our communities across the state, large and small. All communities struggle. An example, Blair is 100, 150 years old. We have a lot of aging infrastructure out there. In addition to the aging infrastructure, we've got to provide for infrastructure for growth. Blair has been very lucky over the last 25 to 30 years with partnerships that we've had with the industry, the Cargill biocampus. We've been a very active partner, we have a take-or-pay contract with them to provide that water. And we're at the point where we've got to expand our infrastructure. You don't expand infrastructure in, in increments of thousands, a thousand gallons, you do it in millions of gallons per day. And trying to plan ahead for that growth, you know, puts pressure on not only the city of Blair, but it also hinders our ability to be a partner with the state in attracting that new industry and business and jobs to the state that we need. So we're here to ask you for a partnership, a use of some of these funds. I think, as one of the previous test, testifiers stated, the, the water, if I have an individual well, I'm not taxed for that water. I can draw all the water out and use it as much as I want. If I'm part of a municipal system, then the state of Nebraska taxes that water that's delivered to, to the homes we're asking for a portion of that funds to be returned to the municipal systems, the public systems, to be able to use to help further the development of the infrastructure. Not only for our, our cities, but also for the expansion and growth of the state of Nebraska.

LINEHAN: Thank you. Do we have questions from the committee? Yes, Senator McCollister.

McCOLLISTER: Thank you, Madam Chairman. Thank you for your testimony, Mr. Storm. It seems like every week or so I get any e-mail from the

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USDA talking about grants to various cities to expand their water system. Has Blair taken advantage of any of those grants?

RODNEY STORM: Senator, we take advantage of every program we can find. Most of the USDA programs, we're not eligible for. Our per capita income and the number of jobs and so forth we have, we aren't eligible for those grants. We participate, we've got probably three or four state revolving loan funds right now. And one of the advantages of the area is there is a 15 percent write-off right now on the, on the cost. We take advantage of everything we can to try to provide maintenance of our infrastructure, the replacement of that infrastructure, and to grow our infrastructure.

McCOLLISTER: Thanks for your testimony. Thanks for being here.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Other proponents? Proponent?

JIM THEILER: Good, good afternoon, Madam Chair, members of the committee. My name, my name is Jim Theiler, J-i-m T-h-e-i-l-e-r. I am the Assistant Director of Public Works responsible for environmental services for the city of Omaha, Nebraska. I'm testifying today for the city in support of LB242, the Infrastructure Improvement and Replacement Act. This bill, if enacted, will provide for a mechanism to those communities across Nebraska who are faced with increasing costs of collecting and treating wastewater and providing safe drinking water. These costs are associated with the upkeep and replacement of aging infrastructure, along with the increased costs associated with stricter regulations that require communities to construct these necessary and costly upgrades. The city of Omaha, we own and operate a wastewater collection and treatment system that serves a population of over 600,000. And we're a regional system in Douglas and Sarpy County. We provide service for Bellevue, Papillion, Gretna, La Vista, Ralston, Bennington, and Boys Town. The system includes over 2,000 miles of sewers below ground, some of these have been in service for over 125. In 2009, we began to implement our combined sewer overflow program, which you've heard people to talk about. That's a \$2 billion program to meet the requirements of the Clean Water Act, and every city and community in Nebraska needs to meet the requirements of the Clean Water Act. And those requirements and costs are going up for everyone. Reducing these costs are necessary, and we're working very closely with the Department of Environmental Quality to ensure compliance while minimizing the burden

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on our ratepayers. Despite these efforts to keep costs as low as possible, paying for this program, along with other costs necessary to provide wastewater collection and treatment, has resulted in average costs going from under \$10 a month to over \$50 a month. And you've heard from others those will keep rising in the future. And we've talked a lot about our combined sewer program. We've faced numerous other financial challenges to meet federal and state regulations, and recent projections include over \$3 billion of capital improvements over the next 20 years to maintain and upgrade the city's wastewater infrastructure. And these are cost well over and above what we're doing to clean up our combined sewers. This includes necessary upgrades at our wastewater treatment facilities, and the renewal and replacement of our aging infrastructure. And if you refer to the chart on the second page, those are numbers that you saw in the graph that was provided by Councilwoman Melton. I just have a couple of different years in the chart that I have provided. It shows that, by about the year 2030, we will be paying close to \$16 million a year in sales tax to the state of Nebraska just on the bills that are paid for. And the problem, it just kind of grows on itself. The more problems we have, the more we need to spend, the more taxes we pay to the state. It's a challenge. And just again, the numbers I'm providing, they just have to do with wastewater, and you heard a lot about drink-- on the drinking water side. So on behalf of the city of Omaha, I request your support of LB242, and open up for any questions that you may have.

LINEHAN: Thank you very much, Mr. Theiler. Are there questions from the committee? Seeing none, thank you very much. Other proponents? Good afternoon.

JAMES TIMMERMAN: Thank you. Good afternoon. Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is James Timmerman, J-a-m-e-s T-i-m-m-e-r-m-a-n. I am the CFO of Nebraska Beef, located in south Omaha. Nebraska Beef is a meat processing facility that employs approximately a thousand people. Nebraska Beef processes approximately a 2,000 head of cattle per day, and we sell our products throughout the United States as well as internationally. Most of the cattle we purchase are from a 250-mile radius of Omaha, and we typically spend approximately \$700 million annually in livestock purchases in the area. This helps the state economy for farmers, ranchers, and cattle feeders. I am here today in support of LB242 on behalf in Nebraska Beef and the Nebraska Coalition of Agriculture Manufacturers. Our group of industry and manufacturer organizations in the Omaha metro area was originally formed

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specifically to discuss the impact of high utility rate increases and the effects on local businesses. I testified in this committee last year in support of LB1071, which addresses the same issues that we are discussing today. Our coalition believes that industries and businesses who, who use a substantial amount of water and sewer services should be paying a fair share of taxes and fees to help pay for the rising costs and demands of infrastructure needs and replacement. However, we believe that when a community is faced with a \$2 billion unfunded mandate that the problem should be solved by looking at all-inclusive solutions, that is local and state governments should work together to address the challenge. LB242 is an opportunity for the state to become a partner with local communities as we see enhanced water infrastructure needs across our state. Nebraska's tax policy, along with the need for enhanced and infrastructure financing, is making Nebraska uncompetitive in terms of industrial expansion and relocations. We have some examples within our coalition and throughout the city of Omaha of companies who have chosen to expand or relocate their manufacturing production to other cities. One of the deciding factors was the high cost of utility rates in Omaha. I know in our industry one of the highest expenses we have is utilities. Our water bill alone is approximately \$800,000 annually. These utilities expenses are rising even higher due to an increase in water rates in the Omaha metro area that are taking effect in July of this year. This will increase our bills by approximately \$160,000 annually. This increase is being implemented to accelerate the replacement of old infrastructure. When looking at the expansion and growth of our business, the cost of utilities is extremely important. Having more competitive utility rates will keep and add more manufacturing jobs in the state of Nebraska. As a resident, I am also concerned that ratepayers residing in low-income areas are facing extreme monthly rate increases. More and more people that will not be able to afford to pay their water bills. LB242 will help defray some of these rising costs for businesses and residents of the state of Nebraska. Thank you for your time and consideration, and I'll be happy to answer any questions.

LINEHAN: Thank you very much, Mr. Timmerman. Senator with their questions. Questions from the committee? Thank you.

JAMES TIMMERMAN: Thank you.

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LINEHAN: Be safe going home. Other proponents? Any opponents? Anyone wanting to testify in the neutral position? Senator Lindstrom, would you like to close?

LINDSTROM: Thank you, Madam Chair. I don't really have anything else to add that the testifiers haven't provided. I appreciate them coming down. And with that, I'll be happy to answer any questions.

LINEHAN: Any questions from the committee? I do have several letters here. Proponents: Lynn Rex, League of Nebraska Municipalities; Lash Chaffin, League of Nebraska Municipalities; Christy Abraham, League of Nebraska Municipalities-- thank you. It is Friday. Tobias Tempelmeyer, Beatrice City Administrator; Kevin Johnson, city of Hastings, Manager of Utilities; R. Paul Lambert, mayor of Plattsmouth; John Collins, city of Grand Island Public Works Director; Tim Luch-- Luchsinger, city of Grand Island Utilities Director; Rod Koch, mayor of South Sioux City; Michael Werner, mayor of Waverly; Amy Melton, Omaha City Council member; Rich Pahls, Omaha City Council member; David Brown, Greater Omaha Chamber; Wendy Birdsall, Lincoln Chamber of Commerce; Greg Youell, Omaha-Council Bluffs Metropolitan Area. No opponents and no one writing for the record in the neutral position. Thank you very much. So that closes the hearing on LB242 and we will open the hearing on LB218.

LINDSTROM: Good afternoon, Madam Chair, members the Revenue Committee. My name is Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, and I represent District 18 in northwest Omaha. Today I bring before you LB218 to redefine tangible personal property and gross receipts for tax purposes. The idea for this bill came to me by representatives of our public power community to address an issue they have encountered with the reinterpretation of state statute by the Nebraska Department of Revenue that redefined poles as personal property instead of real property. This reinterpretation resulted in an increase in sales tax collected to OPPD and other public power entities that in turn is passed on to customers across the state. With the latest sales tax audit for the period of January 1, 2013, to December 31, 2015, pole attachment revenue was deemed taxable. The amount was approximately \$4.2 million per year. The main concern I have in regards to the particular situation and the uncertainty with this reinterpretation by the Nebraska Department of Revenue creates the precedent set by changing the statute and retroactively applying, applying it. When a utility such as OPPD is charged sales tax on labor to work on their infrastructure under the department's reclassification, OPPD will have

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to pass their tax onto the customers, since they are non, not-for-profit political subdivision of the state. OPPD also has to charge those same customers sales tax on the electric service provided. Therefore, OPPD customers will pay a double tax with the reclassification from the department. There is also an amendment before you, AM27, was brought for inclusion purposes for all power provide, power providers, i.e. government subdivisions and co-ops. There will be additional testimony behind me to elaborate more clearly on the situation. If you have any questions, I'd be happy to answer them. But I thank you for your time, and encourage the advancement of LB218 to the floor. Thank you, be happy to answer any questions.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Thank you. Proponents.

L. JAVIER FERNANDEZ: Good afternoon, Madam Chair, members of their own committee. My name is L. Javier Fernandez, that is L. J-a-v-i-e-r, last name F-e-r-n-a-n-d-e-z. I am the chief financial officer for the Omaha Public Power District. I am here today to testify in support of LB218. The Nebraska Power Association also supports this legislation. Utilities transmission and distribution systems is complex. It includes equipment as large as a steam-powered turbine and as small as a power line cable. Power poles and electric transmission and distribution lines are the backbone of the system, and are a critical component to providing reliable electric service. Without any change to the sales tax statutes or regulations, the Nebraska Department of Revenue recently characterized these poles and power lines as trade fixtures. This interpretation would make poles and power lines personal property instead of real property, as they have been considered to be for many years. Because of the trade fixture interpretation, OPPD and other public power utilities in the state are exposed to significant additional costs in the form of additional sales tax that public utilities will incur on servicing these poles and power lines, not to mention other infrastructure that may be determined to be a trade fixture. In addition, the Department of Revenue determined during the course of an audit that pole lease revenue for telecommunication attachments was subject to tax, sales tax on the basis that utility companies are leasing personal property. Our conservative estimate shows that the potential tax incurred by the district customers on the contracted labor working on our poles and power lines will result in a potential sales tax liability of approximately \$4.2 million per year. We believe that classifying poles and power lines as straight fixtures is contradicted in other areas of

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the tax code, and it is essentially a double tax. Electric utility customers already pay sales tax on electricity sales. Under the department, under the department's new interpretation, utilities now will be charged sales tax on labor for work on our infrastructure. Subsequently, utilities will have to pass on this additional sales tax through its rate structure and charge customers additional sales tax to recover the tax the utilities charge for work on its poles and other infrastructure. In the end, OPPD customers will pay a double tax with this reclassification. State statutes should treat electrical pole wires, poles, transmission lines, and other electrical facilities as one unit or system, which works together adding value to real property by providing utility service. Without these components of the system working together, utilities cannot provide electricity. If LB218 is unsuccessful, the potential exists to other, to tax other electrical system components, including generators, transformers, and turbines. These taxes would also pass onto customers. LB218 eliminates a current uncertainty surrounding the treatment of utility assets due to the Department of Revenue's interpretation of Nebraska sales tax statutes. It also eliminates the need for utilities to pass significant operating expenses onto customers, expenses brought on by the sales tax on personal property. To summarize, the goal of LB218 is to clarify that utility poles are real property for sales tax purposes. This clarity will prevent double taxation for Nebraska electric utility customers. Thank you for the time, and I'm happy to answer any questions you may have.

LINEHAN: Thank you, Mr. Fernandez. Are there questions from the committee? Seeing none-- oh, excuse me. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for your testimony. It's somewhat unclear exactly then what would be subject to sales tax. But using your best estimate, what type of a rate increase, what percentage of a rate increase would it take to cover these additional costs? Ballpark it.

L. JAVIER FERNANDEZ: Ballpark. As a rule of thumb, so that our estimate it would be an additional \$4.2 million per year. As a rule of thumb, that would be approximately half a percent rate increase.

BRIESE: OK, thank you.

LINEHAN: Thank you, Senator Briese. Senator Friesen, then Senator Kolterman and Senator McCollister.

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FRIESEN: Thank you, Chairman Linehan. So currently, when you buy power poles and that kind of equipment, you don't pay sales tax on them?

L. JAVIER FERNANDEZ: We do pay when we buy them.

FRIESEN: When you buy the pole.

L. JAVIER FERNANDEZ: Right.

FRIESEN: And so now when, you're saying that if somebody works on the system, that labor will be sales tax?

L. JAVIER FERNANDEZ: When we, when our work, when our employees and the work that we contract works on operating and maintaining the pole, that is exempt from, from, from taxes.

FRIESEN: OK.

L. JAVIER FERNANDEZ: And we pass on we all the costs that the utility incurs. We pass those on to our ratepayers, who ultimately pay the sales tax on that electricity.

FRIESEN: So if you have pole attachments that you currently have, those would also pay a sales tax?

L. JAVIER FERNANDEZ: Those pay a sales tax, and those are pole attachments that are owned by telecommunications companies that are not part of the electric system that those poles were intended for.

FRIESEN: So those, does that lease, when you lease that space, is that subject to sales tax?

L. JAVIER FERNANDEZ: Correct.

FRIESEN: OK.

L. JAVIER FERNANDEZ: On the attachment only. What this bill is potentially, what this bill is trying to clarify is that it's just on that attachment and not on the rest of the pole, which is part of the electrical grid.

FRIESEN: OK, thank you.

LINEHAN: Senator Kolterman Thank you, Senator Friesen.

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KOLTERMAN: Thank you for coming today. So at the present time, the new interpretation, does it deal with transmission lines or distribution lines or both?

L. JAVIER FERNANDEZ: The current interpretation, our, our main concern is especially with distribution lines, although these could potentially go into transmission lines and turbine generators and other parts of the electrical system.

KOLTERMAN: So if it's distribution lines, wouldn't that take into account a lot of your local REAs as well? Rural electric associations.

L. JAVIER FERNANDEZ: So on, on our poles, we own our own poles, but REAs own their own poles.

KOLTERMAN: You sell, you transmit to the local, or you transmit directly to Omaha, I assume.

L. JAVIER FERNANDEZ: We-- no, we transmit and we distribute. We're a, we're an electric distributor. We have residential customers that are paying directly to OPPD.

KOLTERMAN: But you don't have many distribution lines in, do you?

L. JAVIER FERNANDEZ: We have a ton of distribution lines. The majority of, of our power goes through our distribution lines, goes directly to our retail customers.

KOLTERMAN: OK, to your retail customers.

L. JAVIER FERNANDEZ: Correct.

KOLTERMAN: All right, thank you.

LINEHAN: Thank you, Senator Kolterman. Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. This is surprising. I mean, OPPD has been operating since the '30s, has it not?

L. JAVIER FERNANDEZ: Since 1947.

McCOLLISTER: What prompted the Revenue Department to change the classification?

L. JAVIER FERNANDEZ: You should ask them. I, I don't know.

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McCOLLISTER: Do you have any recourse to, to appeal that?

L. JAVIER FERNANDEZ: We've been, actually we've been working with the Department of Revenue on other matters, on audits on this specific issue. And we are, there's a process for us to work with them. But really what we're trying to do here is going forward clarify the law so that there is no gray area, and to prevent further reclassification of the statute. But yes, we are, we are also trying to work with them on existing--

McCOLLISTER: You would think a judge would feel that's arbitrary and capricious. I mean, that's a big change, particularly after almost 85 years.

L. JAVIER FERNANDEZ: Personally, I would agree with that, yes.

McCOLLISTER: OK, thank you.

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

L. JAVIER FERNANDEZ: Thank you.

JOHN McCLURE: Madam Chair, members of the committee, my name is John McClure. I'm Vice President and general counsel for Nebraska Public Power District in Columbus, Nebraska. The previous testifier I think did an excellent job identifying what the concerns are here. I'm just going to re-emphasize a few key points. Basically, we've had a similar situation. We had an audit in 2017, and we were told that a practice we've had since 1972 is now subject to tax, to a sales tax. And that had not been the case for almost half a century. And I also want to make clear that we do pay a significant amount of taxes now, or our customers do. In 2017, NPPD's customers paid, through both taxes and transfer payments, to our municipal communities about \$55 million in 2017. I don't have 2018 numbers yet. We also pay sales tax. All the components that go into the electric system are subject to sales tax, unless there would be some limited exemption out there for qualifying equipment. But for the distribution system, poles, conductor, cross arms, hardware, transformers, that's all subject to sales tax when you buy it. In the case of NPPD, we're the largest transmitter of electricity in the state, as far as the transmission system. We're the largest generator, and we're also the third-largest distributor of electricity. We serve 79 communities across the state at retail, and we have a unique arrangement. Since 1972 we have typically entered

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into a lease agreement. The distribution facilities were, were transferred back to those communities under state law. We continue to operate it for them, make all the investments, provide the billing, provide the generation. Again, as part of this integrated network of generation, transmission, and distribution, just like OPPD's system. It's one big system. And all of a sudden, we've been told that for the distribution side of it that's not real property anymore, that's personal property. We've never had that understanding of those facilities, and it's a change of position from the Department of Revenue. So the question is, is an electric distribution system real or personal property? We believe all the indications are it is real property. An electric distribution system network takes personal property components to begin with, just like building a house. Where you have lumber and you have shingles and drywall. And it's all personal property and you pay sales tax on it, just like we do on the components. But then you create something. And we create an improvement. And the tax laws of the state indicate in 77-103 that real property includes: all land; all buildings, improvements, and fixtures, except trade fixtures. There's no way in our mind that a transmission, or that a distribution system is a trade fixture. It's a permanent facility. Poles last 40 to 60 years. We build these very robust, as do all the other utilities in the state, because you don't want to have to go back and rebuild things before you have to. And we know they have to survive the extremes of weather in Nebraska. But it has to be there and has to be redundant. It has to be robust to serve the electric customers. In addition, our facilities are on easements. Those are real property documents that recognize real property interests. And finally, I would say, would you buy a home or a business or some other property that didn't have electric service? I mean, the electric service assures comfort, convenience, commerce, communications. It is an improvement. And again, the state law talks about improvements are real property. I can't imagine somebody wanting to buy a piece of property that doesn't have a connection to the electric distribution system. Bottom line is, this is not a new tax. It's a change of interpretation. We're not backing away from anything we've been paying. But it's, it's, it's a burden on our customers and, again, makes-- our customers make substantial tax payments today. And we appreciate this bill being brought and AM27, and would encourage your support of that. And I will respect the red light.

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

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BRIESE: Thank you, Chairman Linehan. Thank you for your testimony. How are, how is this type of infrastructure and leases treated in other states?

JOHN McCLURE: I haven't checked every state, and in some states I don't think it's ever been contested because I think it's so obvious. But just in our own neighborhood, at South Dakota Supreme Court, or at least a South Dakota court has looked at this issue. I'd have to check if it was supreme. They said the utility distribution facilities are real property. The same judicial determination has been made in Minnesota. Is it possible there's a court in some state that's held its personal property? I'm sure there has been. But when you look at the rationale, the logic, it makes sense that it meets the characteristics. And even the regulations of the Department of Revenue suggests that utilities-- actually state, they don't suggest-- that utilities are an improvement. And yet they're treating us now as if this isn't real estate.

BRIESE: OK, thank you.

JOHN McCLURE: Thank you.

LINEHAN: Thank you, Senator Briese. Are there other questions from the committee? Senator Groene.

GROENE: Tell me I'm completely off base here, but personal property depreciates. Real property escalates-- keeps going up with inflation. So why wouldn't you want it personal property?

JOHN McCLURE: Well as a, as a political subdivision, as a public corporation, those considerations don't necessarily apply to us. We're making these investments on behalf of customers we serve.

GROENE: So for the case in Minnesota, where it's private, the utility actually lost. With a private business, they probably would prefer it to be personal property.

JOHN McCLURE: There have been cases where utilities have wanted to be personal property because of the tax treatment. That is absolutely correct, Senator.

GROENE: But they're private entities. We're the only public.

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JOHN McCLURE: There are public power utilities in every state except Hawaii.

GROENE: Small city--

JOHN McCLURE: Some are huge: city of Los Angeles; Jacksonville, Florida; and Seattle; San Antonio, Texas.

GROENE: We're the only state public power.

JOHN McCLURE: We're the only state that's exclusively public power. Yes, sir.

GROENE: Yeah, we do not allow private power.

JOHN McCLURE: That's correct.

GROENE: Thank you.

JOHN McCLURE: Thank you.

LINEHAN: Thank you, Senator Groene. Other questions from the committee? Would you just, the definition again, could you-- you said, you referred to a definition they have.

JOHN McCLURE: Yes. In the Nebraska Revenue Statute Section 77-103 defines what real property means. And the first definition is: all land. The second category is: all buildings, improvements-- and to, me that's a really critical word-- and fixtures, except trade fixtures. Then there's some other categories. Then in the department's regulations to enforce the statutes and to provide additional guidance, they say an "Improvement means any addition made to real property amounting to more than a repair, such as sidewalks, streets, sewers, or utilities." And that's 10-002.18D, as in delta.

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

JOHN McCLURE: Thank you.

LINEHAN: Other proponents? Hi.

KRISTEN GOTTSCHALK: Thank you. Senator Linehan, members of the Revenue Committee, my name is Kristen Gottschalk, K-r-i-s-t-e-n G-o-t-t-s-c-h-a-l-k. I'm the government relations director and registered lobbyist for the Nebraska Rural Electric Association. We

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have 34 members that provide service to over 271,000 meters across 95,000 miles of distribution line. And I really don't have much else to say to add to the testimony that both was provided by NPPD and OPPD, but you can see that that would have a huge impact on the distribution systems that I represent. One of the things I did want to point out and thank Senator Lindstrom for was the inclusion of co-ops in the definition. And I think sometimes we, you know, we always talk about Nebraska being an all public power state, and sometimes we tend to think of that as one big system, when in fact, it's 164 different systems, and there are different types of systems built into that. And electric co-ops are a little bit different in that they're not government subdivisions, they are actually a co-op with a co-op board, and they function differently. However, they provide the same type of service, and we wanted to ensure that they were treated the same and we do appreciate that. With that, I have nothing to add beyond what has already been said. But I would be happy to answer any questions.

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

CHRIS DIBBERN: Madam Chairman, my name is Chris Dibbern, C-h-r-i-s D-i-b-b-e-r-n, and I'm the general counsel for the Nebraska Municipal Power Pool, and we too want to support the bill along with-- our first speaker mentioned that the Nebraska Power Association, which is all 160 utilities in the state, also support the bill. We draw your attention to the AM27 on line 14 through 16, which includes the public power industry as defined in Section 70-601. So we appreciate the amendment because that includes all of us. That's all I had to say. Thank you.

LINEHAN: Thank you. Let's see if there's questions. Any questions from the committee? None. Thank you very much. Other proponents? Are there any opponents? Is there anyone wanting to testify in the neutral position? Senator Lindstrom, would you like to close.

LINDSTROM: Thank you Madam Chair, I didn't think I'd be up here this quick. No opposition today on three bills. We can just move them all out at the same time if the committee prefers. Thank you. Now, with the last bill, it seems pretty straightforward. The change the game in the middle of-- or change the rules in the middle of the game doesn't seem fair to me, and we've been exempting this for a long time and seems to be that we just need to clarify that in statute. And so I

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would ask the committee to support the bill. And with that, I'll be happy to answer any final questions.

LINEHAN: Thank you, Senator Lindstrom. Other questions for Senator Lindstrom? Seeing none, we have letters for the record. Proponents: Rocky Weber, Nebraska Cooperative Council; BHE Renewables, LLC. There were no opponents and none in a neutral position. With that, we close the hearing on LB218 and we open the hearing-- Senator Crawford-- OK, open the hearing on LB236. Welcome, Senator Crawford.

CRAWFORD: Thank you. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Senator Sue Crawford, S-u-e C-r-a-w-f-o-r-d, and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. I'm here today to introduce LB236 for your consideration. LB236 makes a simple but important change in Nebraska's Advantage Transformational Tourism and Redevelopment Act or NATTRA for short. For those of you who are unfamiliar with the Nebraska Advantage Transformational Tourism and Redevelopment Act, which was passed in 2010, this legislation allows cities to commit a portion of their local option sales tax and use tax to either a new project or a redevelopment project following a vote of the people. I would note that the sales and use tax is only that local option sales tax within that area being developed, and does not implicate state sales tax and use tax. LB236 would provide that, in cases where a municipality has adopted NATTRA, the Nebraska Department of Revenue shall provide to the municipality via secure means electronic copies of the sales and use tax returns for retailers located within the redevelopment area. As administrators of the NATTRA program, it is crucial that these municipalities have timely access to accurate sales and use tax return information. The current process for getting this information involves municipalities writing down all the necessary tax information on a piece of paper. This requires the municipality to sit, spend tax dollars to send someone to copy down all of this information. This method also creates room for human inefficiency and error in information that's taken back to the municipality. I introduced a similar bill, LB77 in 2017, as well as, well as a similar LB1021 in 2016. And LB77 had no opponent testimony. The excellent questions asked by committee members in those hearings were valuable and contributed to discussions with United Cities of Sarpy County and Commissioner Tony Fulton. The version, this version of the bill mirrors the 2017 version and directs the tax commissioner to determine the manner in which the secure transmit-- excuse me, the secure transmission will go to the requesting municipality. The

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individual receiving the information on behalf of the municipality is bound by the same requirements that an employee of the Department of Revenue is bound by when it comes to confid-- confidentiality. I'd also note that a representative of the United Cities, Mr. Jeff Kooistra, city administrator from the city of Gretna, will follow me in testimony in order to give the committee some perspective on why LB236 is necessary. As the city of Gretna is one of only two cities that have adopted this economic development tool, I encourage the committee to take advantage of his knowledge and experience and implementation of some of the issues they're facing with limited timely access to sales and use tax return data. For the record, the city of La Vista is the other city that has adopted NATTRA for its 84th Street corridor project. I appreciate your time and attention to this issue, and will try to answer any questions that you might have. Thank you.

LINEHAN: Thank you. Are there questions for Senator Crawford? Seeing none. And you'll be here to close? Proponents, please, for LB236.

JEFF KOOISTRA: Good afternoon Chairman Linehan and members of the revenue committee. My name is Jeff Kooistra, J-e-f-f K-o-o-i-s-t-r-a, and serve as a city administrator for the city of Gretna. While I'm here today to speak in support of LB236 primarily on behalf of Gretna, I also want to also represent the United Cities of Sarpy County, which includes the cities of Bellevue, Papillion, La Vista, and Springfield, who are also support this legislation. I've also been informed that the Nebraska Municipal League also supports the bill. We appreciate Senator Crawford introducing LB236 at our request. The city of Gretna approved by a vote of our citizens at 1.5 percent sales tax. The city also approved LB1018, which allows the city to commit the sales tax that is generated from the development to be paid to the developer as an incentive for specific, specified projects. The city of Gretna agreed to this incentive to redevelop the Nebraska Crossing Outlets in 2013. Our agreement is now not to exceed 10 years. The 1.5 percent sales tax is levied throughout the city, and is remitted to us from the Revenue Department monthly in one payment. It is our responsibility to separate the, that amount that is owed to the developer and the amount that comes to the city. The city author-- the city's authorized person is presently required to come to the Revenue Department to obtain the needed information to make this separation. This separation is accomplished by totaling the sales tax generated by the 70-plus businesses at the outlet mall. This is a tedious and time-consuming task. Presently the city's certified person is required

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to manually write all this data down from information supplied from the Revenue Department at their office. This information includes gross sales, net taxable sales, city sales tax, and city use tax for each store requested. We ask that this data be available to our certified person in an agreed upon, secure electronic format, and that this information be sent to our designated person. Presently, our designated person needs to arrange a time with a Revenue Department to come to their office to review the data requested. This takes cities' certified person one half-day during, including driving time. For communities in the western part of the state, this would require an overnight stay. By passing this bill, our limited public funds could be better utilized while still maintaining confidentiality and security of this sales tax data. We thank you for your time and consideration this afternoon. We also would like to publicly thank Commissioner Tony Fulton and his staff for working with us and with Senator Crawford to develop this version of B236 that would address everyone's concerns. We respectfully request that you advance LB236 as currently drafted. I'd be glad to answer any questions.

LINEHAN: Thank you.

JEFF KOOISTRA: I'm not asking for any money either.

LINEHAN: Thank you very much. Are there questions? Senator Groene.

GROENE: You already got the money. So right now, you just get your lump sum?

JEFF KOOISTRA: Correct.

GROENE: Of all sales taxes in your community?

JEFF KOOISTRA: Yes.

GROENE: Then you have to drive down there and sort it out.

JEFF KOOISTRA: Yeah, to separate what they get, what we get to keep for the city.

GROENE: So the original language when they created this didn't say that, that you could just give the Department of Revenue a list of businesses involved in it and they would separate it for you. That was never part of the original language.

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JEFF KOOISTRA: They, the Revenue Department has been very good at when our person comes down and they have it all ready to go for us. It's just that we have to manually write it down, they can't give us a typed form for that.

GROENE: But all you really need to write down is the dollar amount.

JEFF KOOISTRA: Yeah, and the information here. Yeah, correct.

GROENE: You really don't need to write down every business.

JEFF KOOISTRA: No, no.

GROENE: When it comes to--

JEFF KOOISTRA: We do track each business of course, because we have to know which ones are included or not so.

GROENE: Thank you.

JEFF KOOISTRA: Yes.

LINEHAN: Thank you, Senator Groene. Are there other questions from the committee? So you're basically just asking for this information to be sent to you electronically?

JEFF KOOISTRA: Correct.

LINEHAN: In some safe format where it--

JEFF KOOISTRA: Agreed upon format that it keep, it keeps our, and allows only our certified person to have access to it.

LINEHAN: I see. OK. Seeing no other questions, thank you for being here.

JEFF KOOISTRA: Thank you very much.

LINEHAN: Other proponents? Are there any opponents? Is there any one wish, wishing to testify in a neutral position? Good afternoon.

TONY FULTON: Good afternoon, Madam Chair, members of the committee. My name is Tony Fulton, T-o-n-y F-u-l-t-o-n, and I'm the Tax Commissioner, and I'm testifying in a neutral capacity. This was LB,

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well, the senator I think said, I think it was LB77 last year and LB1021 in the year before. No notes here, so the drama is thick.

LINEHAN: There's nodding behind you.

TONY FULTON: Yeah. We, I want to communicate that the department has been reluctant to provide this information electronically because of our obligation, the department's obligation to protect confidential taxpayer information. So I just, I need to get that on the record. Taxpayers should know that we take that very seriously. Someday I won't be the Tax Commissioner, and it gives me some solace that the department takes our tax information seriously, the confidentiality of it. That being said, when this problem was presented to us, I have a background in technology too. So folks from Gretna and I think it's Papillion, or it's La Vista. Yeah, may, they make the trip down the road to come here because we have this requirement. So they had the request that we provide this information to them in a secure format electronically. We endeavored. We worked with Senator Crawford to come up with some mechanism that still provides the department the ability to maintain the security of these, of this information. So, yeah, it's completely true. We worked on this with Senator Crawford, and what you see, the upshot of that work is what you see here. At the time, I think last year I said that we had not yet come up with a method. That's still the case. The bill didn't pass, so we didn't spend time coming up with a method. But I do have some ideas in mind as to how we can do this. Just as a principle, it would have to be transmitted in a secure fashion. Probably a, a cryptologic fashion. What's the word I'm looking for? Encrypted. With encrypted-- it should be sent encrypted with a "deencryptor" on the other side. That's, at a minimum, I think that has to exist. Then we would want to have some mechanism to ensure that indeed it's the certified person on the other side who's reading this. And I have some ideas as to how we could accomplish that. And then we would want to also ensure that the information is secure, it's not being recorded. And I think we have some means of doing that. And then the information should not be in this format for an unspecified period of time. So in other words, we would make it available and then, you know, this message will self-destruct type of thing. So those are, those are the thoughts that I had last year and those continue to be my thoughts. Again, this was, this is a problem that's presented to us. And the nature of people in public service ought to be to solve problems. So I'm not going to-- I didn't want to come in here and testify in opposition same as last year because, you know, what I said to the department at the time this was brought to us.

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You're telling me we can put a man on the moon but we can't get this across to the people in Gretna. But at the same time, I have to emphasize that we take very seriously taxpayer information, for I think should be obvious reasons. So that's why I'm in the neutral capacity. I just want to indicate that there is a willingness on the part of the department to work to accomplish this because we do recognize that Senator Crawford came to us in good faith. So that's why I'm here in a neutral capacity. And if you have any questions, I'll try to answer them.

LINEHAN: Thank you. See one, see two. Senator McCollister and then Senator Groene.

McCOLLISTER: Thank you, Madam Chair. So what I'm hearing, Tony, is that you don't have a system operational yet.

TONY FULTON: That's correct.

McCOLLISTER: When do you anticipate having that available?

TONY FULTON: Well, if you guys pass the bill and it becomes law, then we would, we would put something together. You know, I'm not-- we're not going to spend a bunch of money on this. We didn't put a fiscal note on it. So those principles that I just outlined, those are the things we would implement to make sure that we have security of these documents. And I'd want to think through more than just then what I did here. But I, we have put some thought into it and those are the principles that we'd have to have in place.

McCOLLISTER: I understand you have more details, but do you have an encryption system now?

TONY FULTON: Yeah, it's possible to send e-mails in an encrypted fashion now.

McCOLLISTER: Thanks, Tony.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: Curt and I were on this committee last year when it came. The same conversation, why can't you do it now? They send you 70 names of the companies, that's a big enough subgroup that confidentially should be held. They give you the names of those, those companies in that

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mall and you send them a lump sum. That's all they need is a lump sum. That's all they get now, don't they?

TONY FULTON: Yes. Although, well now they, I think they get more than the lump sum. They have access to all of the information now on site. I think you had this, I thought it was a pretty good idea last year. I think you brought this idea up last year. From where, where I'm sitting, that ought to be adequate. But, you know, I that's, that's the cities ought to have some input into that. But that, that sounds like a pretty good idea.

GROENE: Can a city administrator now in North Platte call you up or come down to Lincoln and find out how much sales tax was collected by Walmart?

TONY FULTON: No, not unless there-- this, it would have to be part of-- have to be agreed to and it would have to be under NATTRA.

GROENE: But you just said they have more access to more information than just the lump sum. They shouldn't be getting anything more than the lump sum.

TONY FULTON: They being?

GROENE: The city of Gretna.

TONY FULTON: Well, again, I think that would be a good idea. I'd be more comfortable with that solution.

GROENE: But right now they can come in and "Henry's Shoes" or "Sally's Dresses," they can find out how much each one of those collected?

TONY FULTON: If it is the designated agent. I'm not looking at the statute, but there's a, there's a term of art that describes that individual with whom the department has an agreement. That designated person can come in, and I think Gretna has one and La Vista has one, that person alone can come into the department and see that information.

GROENE: My city administrator told me a story about how there is a company that built right on the edge of town, and they didn't think they were paying, collecting city sales tax or paying it or whatever. And, I mean, they could have got a receipt. There was something he went in to find out and he couldn't find out that information about--

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but Gretna can on 70-some district, businesses? Exactly how many dresses Sally sells by convert the sales tax on the dollar of soap?

TONY FULTON: Well, if again, yes, if that person is the designated person. That, that individual can come in and see this information.

GROENE: So right now, if they sent you 70 names of businesses, and you went through and gathered up and sent with their monthly payment a note that says \$112,000 of this came from those 70 businesses, that should be adequate.

TONY FULTON: I think so. But again, I don't-- they may have some other reasons.

GROENE: We could do that now. Or would we have to change the law to do that?

TONY FULTON: We would not have to change the law to do that.

GROENE: So you could work that out without this?

TONY FULTON: I think so, but I don't-- I actually, I don't remember what the, what the arguments were last year. But I thought it was a pretty good idea put forward. From where I'm sitting, I think that, that would be a good idea.

GROENE: If I had a memory I would have brought a bill.

LINEHAN: Thank you, Senator Groene. Are there other questions? Seeing none, thank you. Are there others wishing to testify in the neutral positions? Senator Crawford, it looks like you can close.

CRAWFORD: I appreciate Commissioner Fulton, Fulton's problem-solving approach, and I'm happy to work with him. I do have in my notes some of our conversation from our last discussion of Senator Groene's solution, and so I'm going to try for the record to put just a few things from those e-mails on the record and also try to answer your question. It's my understanding that the lump sum would not work because they have to know amounts from stores. It says Gretna is allowed to keep-- this is from Mr. Kooistra in an e-mail: Gretna is allowed to keep the six-month average of sales tax from stores that are returning from the previous outlet mall. In order to ensure that the outlet mall receives the appropriate sales tax each month from the returning stores, she needs to compare the six-month average number to the monthly sales numbers she receives from the Department of Revenue

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for that store. It says the compromise wouldn't help, since we have to know specifically how much those previous outlet mall businesses had paid so that we can pay the developer the proper difference. I think they have to know which store to know, because of the agreement with the developer, is that it is more store-specific than a lump sum. And then the, the city clerk talks about the fact that when she usually comes down to look, she looks for a three-month period. And if she only got the lump sum, it wouldn't tell her if a store missed a payment during those three months. Then I wouldn't know how to request that missing sales tax number the next time. And your-- then I wouldn't know how to request the miss, the missing sales tax for the next time. And that's referenced in, and you're correct, in reference to Mr. Kooistra's e-mail, that it would not help in figuring out the average sales tax for the returning stores. So I hope these quotes helped to illustrate some of specific gaps in information that we would still have if we provided the lump sum information and the names of the stores who paid into the lump sum. That's what I have in my notes from our conversations before, that it was still information that they feel they needed in terms of meeting the requirements of the law that they weren't able to meet with the lump sum solution. So, again, I appreciate your suggestions last time, and we did talk through that suggestion and try to see if it would be a solution that would work. The bill basically allows the electronic transmission, which wouldn't be allowed unless we authorize that. And I appreciate the Commissioner's interest in working on a solution to make that work.

LINEHAN: Thank you.

CRAWFORD: Thank you.

LINEHAN: Are there other questions for Senator Crawford? There were no letters for the record, I think. Oh, no, yeah. No, there weren't. OK, thank you very much. With that, we close the hearing on LB236 and open the hearing on LB237.

CRAWFORD: Good afternoon, Chairwoman Linehan and fellow members of the Revenue Committee. My name is Sue Crawford, S-u-e C-r-a-w-f-o-r-d, and I represent the 45th Legislative District of Bellevue, Offutt, and eastern Sarpy County. LB237 is part of my ongoing commitment and interest in addressing unfunded mandates to county governments. Property tax relief as a continued refrain we hear in this committee and on the floor. Tackling this issue we'll take a multifaceted approach, including looking at unfunded and underfunded mandates to

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political subdivisions. Over the years, and particularly during economic downturns, the state has shifted costs to political subdivisions and cut or eliminated aid to cities and counties, which is why in 2014 I sponsored LR582 to examine unfunded and underfunded mandates to counties. Over the interim that year, the Government, Military and Veterans Affairs Committee held a series of conference calls, as well as two public hearings on that topic. LB237 alleviates 1 of the 14 unfunded mandates we identified in the course of that study. LB237 restores a 1.5 percent commission to counties across the state of Nebraska for all motor vehicle sales tax collections over \$3,000 per month. Prior to October 1, 2002, counties received a 2.5 percent commission on the first \$3,000 of motor vehicle sales tax collected in the county during the previous month, as well as a 0.5 percent commission on tax collections over \$3,000. This 0.5 percent commission was eliminated as part of a larger budget package during the state budget crisis that year, it's in 2002. In counties across the state, county treasurers and county office staff assist in the motor vehicle registration and titling process. As part of this process, county employees may need to track down paperwork from out-of-state or private sellers before completing the sale. This work takes time, and the current 2.5 percent commission does not accurately reflect the cost to counties to collect these taxes. You'll hear more about the current cost to counties from Brian Zuger, Sarpy County Treasurer, and others a bit later. The flat commission rate currently in statute also means that counties with larger volumes of motor vehicle registrations receive the same commission as counties with much fewer registration and titles, despite the increased workload in counties with higher monthly volumes. Colleagues, our larger counties are using the property tax dollars to collect sales tax revenue for the state. I want to briefly discuss the fiscal note for LB237. Currently, motor vehicle sales tax revenue is remitted to the Highway Trust Fund, with the Highway Cash Fund receiving 53 and a third percent of this revenue. According to analysis conducted by Sarpy County's fiscal administrator, all but 1 of 93 counties would see a net increase in their revenues under LB237. The one county that would not see an increase, Arthur County, would only see a decrease in revenue of \$276. Meanwhile, Sarpy County alone has lost over \$1.28 million in revenue since the current policy went into effect in 2003. LB237 recognizes the importance of roads funding for communities across Nebraska, however, which is why the bill specifically directs counties to dedicate 25 percent of the additional revenue that they receive from the commissions to their county road fund. The state has a special relationship with counties and carrying out state task,

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tasks, as well as a role in responding to local needs. Our responsibility in this relationship is to ensure that we provide counties with the authority and resources to make these tasks possible. In other words, we as a state need to pay our part of the partnership. It's been 13 years since counties received fair compensation for collecting motor vehicle sales tax. It's time for the Legislature to change that. I'm happy to answer any questions you may have now or during the closing.

LINEHAN: Thank you, Senator Crawford. Are there any questions? So just so I'm understanding this, they basically get \$75 every time there's a transaction up to \$3,000.

CRAWFORD: Up to \$3,000, and then after \$3,000 it's not.

LINEHAN: Right. OK. All right, thank you very much. Proponents.

JOHN EWING: Good afternoon, Madam Chair and state senators. I'm John Ewing, the Douglas County Treasurer. And I'm here to--

LINEHAN: If you could spell it, I'm sorry.

JOHN EWING: Sure. John Ewing, E-w-i-n-g.

LINEHAN: Thank you.

JOHN EWING: And I'm here to discuss the unfunded mandate that you just heard about. For Douglas County, we register each year around 450,000 to 500,000 vehicles and we collect approximately \$1 billion in sales tax on motor vehicles. My motor vehicles manager did an analysis for me yesterday on the amount of money we would have collected under this proposal for the last 12 months. And at 0.5 percent it would have been \$380,000 instead of the \$9,000 that we currently receive under the present compensation. We believe that the 0.5 percent is fair when we look at how much work we do in collecting that money, the time it takes us to register vehicles, the effort we go through at our customer service centers, as well as the effort that we go through in our accounting department where, in our accounting department alone, we have a staff that cost us \$598,000 a year. So we then work with the state to make sure that money is distributed to them for currently 17 different funds. That's going to change with the victory project. So that will make some of the accounting processes simpler for us, but it will still be a difficult process for the Douglas County Treasurer's Office. And \$75 per month doesn't come close to compensating us for

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the work that we do. And I wanted to also share with you some examples of the commissions we get from other government entities that we collect taxes for. For, for the Public Building Commission we get 2 percent; for all of the school districts we get 1 percent; for the ESUs we get 1 percent; Metropolitan Community College, 1 percent; the NRDs, 1 percent; the SIDs, 2 percent; fire districts, 2 percent; city taxes, 1 percent; city special assessments, 1.5 percent; wheel tax, 2 percent; redevelopments, 1 percent; Metro Transit Authority, 1 percent; land bank, 1 percent; and the learning community, 1 percent. So when we're asking 4.5 percent, we're asking for half of our lowest commission for all of these other in these that we get commissions for collecting property taxes and other taxes for the various entities that we're charged with collecting taxes. And so with that, I would be happy to answer any questions that you might have.

LINEHAN: Thank you, Mr. Ewing. Senator McCollister.

McCOLLISTER: Thank you, Chairwoman Linehan. Hi, John. Welcome.

JOHN EWING: Hi. Thank you.

McCOLLISTER: I need to first commend you on the great work your, your offices do.

JOHN EWING: Thank you.

McCOLLISTER: I've had occasion to use them in the last couple of months. And you do a bang up job, so congratulations on that. You listed a bunch of percentages for both governmental units. Is that applied the same way as that \$3,000?

JOHN EWING: No, there are no limits at all. We get that for every dollar that we collect.

McCOLLISTER: So when an NRD goes through your office, what is that amount based on? Is that the price of the vehicle?

JOHN EWING: It's based on the levy that, the common levy that is set for each property.

McCOLLISTER: So based on that particular automobile or truck?

JOHN EWING: Yes. Or property tax or residence when they pay their property tax.

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McCOLLISTER: So would that be considered a, in lieu of tax of sorts?

JOHN EWING: No.

McCOLLISTER: So it's just based on the, on the registration fee?

JOHN EWING: It's based on the tax that we collect. They pay 1 percent commission to us. We withhold that before we send their portion of the tax to them.

McCOLLISTER: OK. Thank you.

LINEHAN: Thank you, Senator McCollister. Senator Groene.

GROENE: The \$3,000 is the \$3,000 of sales tax collected?

JOHN EWING: It is \$3,000 that we get in collected sales tax. That's the cap.

GROENE: For, and you get \$75 for that?

JOHN EWING: We get \$75, no matter how much we collect. Three thousand dollars is what they say you get 2.5 percent for the first \$3,000 collected and nothing else. So we get \$75 per month.

GROENE: Why don't we just go to half percent from zero on up?

JOHN EWING: That that is I believe the-- what I thought we were requesting. I'm not 100 percent sure.

GROENE: Are you keeping the \$75? I thought, I thought the senator said over. It's what?

JOHN EWING: OK.

GROENE: What is it? It's over \$3,000.

LINEHAN: Yes.

GROENE: So what I figure, if you were a half percent divided into \$75, that would be \$15,000. So why don't we just start at a half percent from zero? Basically, you're getting a half percent right now up to \$15,000, because if you divide \$75 by half a percent that's a \$15,000 amount of taxes. So comparably with those other rates you said--

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JOHN EWING: Sure, I understand. I understand what you're saying.

GROENE: Doing well if it's \$75 for everything up to-- is it \$75, if you get \$1,000 you get \$75; if it's \$1,500 you get \$75, and it maxes out at \$3,000? Or is it proportional? I mean, maybe I'm off base here.

LINEHAN: Here, just read the--

GROENE: A month?

MARY JANE EGR EDSON: Period.

GROENE: Oh, all right. That makes more sense.

JOHN EWING: Yeah.

GROENE: All right.

JOHN EWING: It's period.

GROENE: All right.

LINEHAN: OK, thank you, Senator Groene. Other questions from the committee? What is, what is your annual revenue then from all these fees?

JOHN EWING: I didn't get that figure-- or I shouldn't say I didn't get it. I didn't bring that with me today, because I was just looking at the percentages. That's what I thought you would want. I can get that to Senator Crawford.

LINEHAN: OK, because, I mean, you're talking about billions of dollars, right?

JOHN EWING: We collect about \$1.4 to \$1.5 billion a year in taxes.

LINEHAN: OK. Other questions? Yes, Senator McCollister.

McCOLLISTER: Yeah. Thank you, Chairwoman Linehan. But in addition to some, those fees that you listed, you also have individual fees per service, correct?

JOHN EWING: We have some small fees like notary fees, and then there's some state-mandated fees that you have like \$10 just for a title and things of that nature.

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McCOLLISTER: Lost title.

JOHN EWING: Yes, those things primarily go to the state for the service that we provide. And I think we get a small portion of some of those.

McCOLLISTER: But those fees go to the state.

JOHN EWING: Primarily.

McCOLLISTER: OK, thank you, John.

LINEHAN: Thank you, Senator McCollister. Other questions from the committee? Thank you very much, Treasurer, for being here. Other proponents?

BRIAN ZUGER: Thank you, Madam Chair, members of the committee. My name is Brian Zuger, B-r-i-a-n Z-u-g-e-r, I'm the newly-elected treasurer for Sarpy County. I sit here before today in support of LB237. I'm honored to provide you with testimony today, as well as answering questions the committee might have. My predecessor, Rich James, testified on a similar piece of legislation back in 2013. At that time, he mentioned that two-thirds of the county treasurer's staff was dedicated to titling and registering vehicles from state of Nebraska and Sarpy County. Last year, Sarpy County's net taxable sales of motor vehicles rose to a little over \$425 million, of which we collected approximately almost \$24 million in sales tax. At that time, Mr. James noted that sales tax collection accounted for nearly 43 percent of the time spent by our employees. While all of the employees in the motor vehicles division of our office at one time another assist in the titling of vehicles, we have dedicated, have a dedicated eight FTE-- almost half of our divisional staff-- who provide the backbone of the work in this process. As you know, counties are creatures of the state, and our relationship is unique among the various political subdivisions. There are limits to our authority on everything from ordinances to revenue, to revenue streams. As a taxpayer myself, and a former member of the Sarpy County Board, I've seen repeated legislative attempts to address many of our most vexing and expensive underfunded mandates. Yet, we continue, continue to see more and more responsibility shift to the county's property tax dollars, such as the cost of collecting motor vehicle sales tax; the cost of providing office space and maintaining services for the Department of Health and Human Services, state probation workers, and even many court services; and finally, the rising cost of LB605. While we understand that

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budgets are continually need to be adjusted and the competition for resources are growing at exponential rates, we still need your help. Through LB237, the Revenue Committee today has an opportunity to address one of the major unfunded mandates impacting many counties today. In 2002, additional commissions for the collection of motor vehicle sales tax were eliminated by the state. Since then, Sarpy County has lost over \$1.28 million in much-needed revenue. The passage of LB237 would allow Sarpy County to realize an increase of approximately \$92,000 this year, and this would offset the costs of motor vehicle sales tax collection. It would also go a long way in helping us recoup the portions of the costs associated. Again, I thank you for the opportunity to address you this afternoon, and would yield to any questions you might have.

LINEHAN: Thank you very much for being here. Are there questions? Yes, Senator Friesen.

FRIESEN: Thank you, Chairman Linehan. Do you collect anything else in your, in the process of titling a vehicle? Are there any other fees come to you besides the sales tax collection fee?

BRIAN ZUGER: Not, not, not in addition to the sales tax collection. And like I said, I'm the relatively new treasurer. I was just elected in November, so I'm still trying to figure all this out.

FRIESEN: All retail, everybody gets treated the same currently, right?

BRIAN ZUGER: That is correct. That is correct.

FRIESEN: Everybody used to be able to collect different percentages on up to the cap of some sort.

BRIAN ZUGER: That is correct.

FRIESEN: When they lowered it to \$75 it kind of--

BRIAN ZUGER: Right, when they lowered it to \$75, and I want to kind of clarify the question that Senator Groene had for Treasurer Ewing. So that, that bucket of money where we collect those taxes, it's \$75 per month and it's in three different buckets. One bucket is \$900 for the total of motor vehicles; it's \$900 for the total of boats; and it's \$900 for the total of ATVs. So it's really not enough to really even recoup the costs of the, you know, the staff members that we have that collect those taxes so.

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FRIESEN: So none of the registration fees that are charged go, go to you for doing that?

BRIAN ZUGER: Not for that part of the process, no.

FRIESEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Senator Groene.

GROENE: Is the municipalities the same? Are they limited to \$75 too, do you know?

BRIAN ZUGER: Municipalities wouldn't collect motor vehicle sales tax.

GROENE: No, sales taxes.

BRIAN ZUGER: Well, sales tax, I couldn't answer that question for the municipalities.

GROENE: The only sales tax you collect is on vehicles.

BRIAN ZUGER: Right. We collect all--

GROENE: Licensed vehicles.

BRIAN ZUGER: We don't have any sales authority in the county other than motor vehicle licensing taxes.

GROENE: But unlike the city gets a percent and a half, you don't have the sales tax.

BRIAN ZUGER: Right, we don't have any [INAUDIBLE]. No, we're not allowed county sales tax by statute. Very limited times for some public safety things, but we don't have any of those going on in Sarpy County right now.

GROENE: So unlike the city--

BRIAN ZUGER: Right.

GROENE: There's no [INAUDIBLE].

BRIAN ZUGER: Right.

GROENE: They get a lot of revenue from sales tax.

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BRIAN ZUGER: Yeah, I don't get any money from Walmart or any of those types of places.

GROENE: Well, you don't get it from the percent and half on the--

BRIAN ZUGER: Right.

GROENE: Actually, you're collecting for the city too, right?

BRIAN ZUGER: We don't collect sales taxes. That's by the State Department of Revenue.

GROENE: What tax are you talking here on a vehicle then?

LINEHAN: Sales tax on cars.

BRIAN ZUGER: We're talking about sales tax on card period.

GROENE: Yeah but you're collecting a percent and half of the city too, if it's--

BRIAN ZUGER: In terms of for-- oh, for motor vehicles?

GROENE: Yeah.

BRIAN ZUGER: Well, sure. Yeah, I mean, that all gets sent to the state at that point.

GROENE: Yeah. Thank you.

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

BRIAN ZUGER: Thank you very much.

LINEHAN: Other proponents?

CANDACE MEREDITH: Good afternoon, members of the revenue committee. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, I am the operations manager at NACO, and I'm here in support of LB237. My testimony did echo a lot of the Treasurer's testimonies, so, but I did want to make some clarification on Treasurer Ewing's comments about the levies. He was, when he's talking about the 1 percent, 2 percent commissions, that was really focused on that real estate tax piece of it, not so much the sales tax piece that I think. So just to separate out those two. What we're talking here today is about the sales tax

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collection that we do on motor vehicles, boats, and ATVs, and that \$75 cap that we get every month for that so.

GROENE: Thank you.

CANDACE MEREDITH: But I'll be happy to answer any questions that we have.

LINEHAN: I'm sorry. Questions? So in reality, when it says they get 2 percent from the learning community, 1 percent, 1 percent from schools, you add those all up?

CANDACE MEREDITH: That's correct. And that's on the real estate tax side of things so.

LINEHAN: Right. So what is, what is the total you get for collecting real estate taxes? The total percentage of the real estate taxes?

CANDACE MEREDITH: It's dependent on the levy. So when a taxed, when you pull all the different--

LINEHAN: But with the percentage.

CANDACE MEREDITH: The percentage depends on what type of levy were collecting for it. So it ranges between 1 and 2 percent.

LINEHAN: But you add them all up.

CANDACE MEREDITH: Correct. And it's allocated.

LINEHAN: Throw a couple out that, throw out the SIDs because they're different. But when you add up the city, the county, the ESUs, the NRDs, what is it like 5 percent you get, or 6 percent of the total?

CANDACE MEREDITH: I wouldn't add, I wouldn't say added up because it's per allocation. So if you're looking at like a school, you would take the amount that you've collected for that specific school fund and take it times that percentage of the commission. And then each one gets its own by the amount that you receive from the payment.

LINEHAN: I understand. But I'm just trying to figure it out. It's not like it's 2 percent but you get, you get it every time we do an entity, whether it be a school or ESU, you are getting 1 percent more of the property taxes.

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CANDACE MEREDITH: You take 1 percent. Yeah.

LINEHAN: Douglas County collects from a person living in Elkhorn, so there's like 15 things on mine that I pay taxes on. So you get a percentage of each one of those?

CANDACE MEREDITH: Right.

LINEHAN: And it might be 2 or it might be 1, but it's either 2 or 1?

CANDACE MEREDITH: Correct.

LINEHAN: OK, thank you. Thank you very much.

CANDACE MEREDITH: No problem.

LINEHAN: Senator McCollister.

McCOLLISTER: Thank you, Madam Chair. Who decides whether it's 2 or 1?

CANDACE MEREDITH: I believe that's set by statute. The word that commissions are, if I'm not mistaken.

McCOLLISTER: And how frequently is this levy assessed?

CANDACE MEREDITH: The levies are prepared through the budget process. The political subdivisions turn in their levies to the counties every year.

McCOLLISTER: So it's yearly thing.

CANDACE MEREDITH: It's a yearly, set by a levy.

McCOLLISTER: OK, thank you.

LINEHAN: Thank you, Senator McCollister. Other questions? Thank you very much for being here. I don't see any other questions to-- oh, did you want? OK, I'm sorry. Senator Groene.

GROENE: But you do a little more worked with the, one of your predecessors said that you have a lot of people working the automobile department. Why, I mean, you send a tax statement out to every single taxpayer on their vehicles and on the property they own. You would think there would be more people working in those divisions than the vehicles that are sold.

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CANDACE MEREDITH: Well, I can tell you from experience that working in real estate you are able to find a lot of efficiencies through digital processes. For working with motor vehicles, you have to have a lot of face-to-face time and paperwork shuffling. So the time consumption is basically in your motor vehicle department where your real estate divisions have pretty much gone electronic.

GROENE: So when you're talking employees there you're talking to the person behind the counter that hands me my license plates too.

CANDACE MEREDITH: Right. So the demand that-- yes, the demand is the motor vehicle divisions that are having to register license plates, titles, sales taxes--

GROENE: Issue me a new driver's license.

CANDACE MEREDITH: The driver's license is mostly state, right. That's, that's minimal. But the act, the face-to-face transactions are mostly motor vehicle transactions.

GROENE: And you heard the question before. Those fees the person pays, he pays the sales tax when he buys a new vehicle plus the licensing fees. You don't get any of those fees?

CANDACE MEREDITH: There, there is some within like a, like a renewal of a registration, there is some county fund opportunities there that there is a small amount that come. Even with a title, the counties do get a small portion of that title fee, as well as the property taxes within your motor vehicle. There is a commission that comes out of that. But the key piece is the sales tax piece that we collect for the sale of those cars. That's the time-consuming process that we're talking about today, that we get the \$75 a month for.

GROENE: But it's more than just collecting sales tax, it's having the inventory, license plates.

CANDACE MEREDITH: That also goes--

GROENE: Coming out the titles and the paper and they come in, somebody comes in with a new vehicle or a used vehicle.

CANDACE MEREDITH: Yes, time. The time cost on sales tax and titling is the most time-consuming.

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GROENE: They're the same employees.

CANDACE MEREDITH: Same employees, yes.

LINEHAN: Thank you, Senator Groene. Are there are other questions from the committee? Seeing none, thank you very much for being here. Appreciate it. Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Seeing no one, Senator Crawford, would you like to close?

CRAWFORD: Just want to thank committee members for your thoughtful questions and thank for testifiers for coming to share their perspective, so you can see how much it does cost the counties to collect the sales tax. And again, this, the fiscal impact really comes out of the Highway Trust Fund. And with the analysis that we've done, again, all but 1 out of the 93 counties would see a net increase in revenue. The less revenue goes to the Highway Trust, the cash fund. The commission makes up for that loss, and so all but one county would see a net increase in revenues under LB237 that would help them pay these costs of collecting the sales tax for the state.

LINEHAN: Thank you. Other questions for Senator Crawford? We do have letters for the record, I guess. Proponents: Rocky Weber, Nebraska Cooperative Council; Daniel Esch, Douglas County Board. Opponents: none. Neutral: none. And with that, we close a hearing on LB237. Happy weekend.