

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee February 27, 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. This 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 and other electronic devices, move to the chairs at the front of the room when you're ready to testify. The order of testimony is introducer, proponents, opponents, neutral testimony, and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask-- excuse me, please ask the page to make copies now. I'll introduce the pages in a second. So if you need copies, you can do it as soon as we get done introducing them. When you begin to testify, please state and spell your name for the record. And this seems a little weird, but even if your name's Dave we need you to spell it for the record. Please be concise. It is my request that you limit your testimony to-- excuse me, we're gonna go to three minutes today because-- how many people are here to testify? OK, we're gonna go to three minutes today. So-- and we'll use the light system. You'll have-- the light will be green for three minutes, and then one minute on yellow, and then when it's red, you should wrap up, if not before. If your remarks reflected in previous, previous testimony, or if 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 record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I'd like to introduce the committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson; and to my left is research analyst, Kay Bergquist. At the far end on my left is committee clerk, Grant Latimer. And with that, I would like the senators to introduce themselves.

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**KOLTERMAN:** Senator Mark Kolterman, District 24, Seward, York, and Polk counties.

**GROENE:** Senator Mike Groene, Lincoln County.

**LINDSTROM:** Brett Lindstrom, District 18, northwest Omaha.

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

**McCOLLISTER:** John McCollister, District 20, the central Omaha area.

**BRIESE:** Tom Briese, District 41.

**LINEHAN:** Please remember that-- excuse me, pages can you stand up? So our pages for today are Brigita Rasmussen, who's a sophomore at UN-L, and majoring in agricultural education; and Kylie Cappellano, who's a senior at UN-L, and a major in political science and TV broadcasting, pre-law. Please remember that the senators today may come and go during our hearings as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition. I'd also like to remind 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 only. Lastly, you will note that we're an electronic's equipped committee and the information is provided to us electronically, as well as in paper form. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. So with that, we will open with LB303. Senator Lindstrom.

**LINDSTROM:** Good afternoon, 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, and I represent District 18 in northwest Omaha, here to introduce LB303, a bill to change the amount of relief under the Property Tax Credit Act. I am introducing LB303 on behalf of Governor Ricketts, whom I'd like to thank for being here today to testify. This bill is quite simple, to provide relief for property taxpayers by increasing the amount currently allocated to the Property Tax Credit Fund from \$224 million to no less than \$275 million. This is a straightforward approach to tax relief while not imposing a tax shift from other sources of revenue. Governor Ricketts will follow my testimony today

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to further elaborate on Nebraska's need for property tax relief. But again, I'd like to thank you, and urge the committee to advance LB303.

**LINEHAN:** Thank you, Senator Lindstrom. And you will be here to close?

**LINDSTROM:** I will, yes.

**LINEHAN:** Are there questions from the committee? Seeing none, thank you.

**LINDSTROM:** Thank you.

**LINEHAN:** First proponent?

**PETE RICKETTS:** I'd like to thank Chairwoman Linehan and members of the Revenue Committee for the opportunity to testify here today. My name is Pete Ricketts, P-e-t-e R-i-c-k-e-t-t-s. I'd also like to thank Senator Lindstrom for introducing LB303. Since 2007, the Property Tax Credit Relief Fund has been the sole conduit for direct property tax relief here in our state. Previous legislatures have seen to preserve and grow that. In fact, working with many of you, we have increased the Property Tax Credit Relief Fund by 66-- or 60 percent since I've been Governor. And with this proposal that I have in the budget for this year would increase it by another 23 percent to nearly double it to the \$275 million that you see reflected in LB303. This would take the amount of tax relief from roughly \$86 for a valuation of a \$100,000 for a household up to \$106 or \$103 on ag land to \$127. And the idea here is to be able to guarantee that property tax relief to our citizens. What LB303 would do, would create a statutory floor around that \$275 million and to the extent possible really create a lockbox around that \$275 million, so that it would create another obstacle to somebody who wanted to change that taking it down, really presenting a barrier to the anti-relief forces, the tax and spenders who may want to take that money for something else. This bill is good because it provides certainty to our taxpayers providing that \$275 million, and it's good for our-- not only our taxpayers, but also local government. Now I also understand that LB303 is not a solution to property taxes in and of itself, or by itself, that there are many other solutions, some of which we'll be talking about today, that are gonna be important to talk about, and I welcome that, that discussion whether we're gonna be talking about things such as foundation aid or levy reform or valuation reform or whatever those other ideas are. I really look forward to the opportunity to be able to continue to

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discuss how we can bring property tax relief to our taxpayers here in Nebraska. And with that, I'd be happy to take any questions.

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

**BRIESE:** Thank you, Chairman Linehan. Thank you for being here, Governor, appreciate that. And appreciate everything you do in the, in the interest of property tax relief and your efforts in that regard. But a question for you regarding the Property Tax Relief Fund, you feel that that's a very important tool in delivering property tax relief, correct?

**PETE RICKETTS:** Yeah, in a sense really if you look at what the Property Tax Credit Relief has done, it's, it's really a credit paid for by the state on your property tax bill. There's a line item on your property tax statement that shows the credits coming from the state and that's the amount that essentially the state is paying for you on your property tax bill.

**BRIESE:** Sure, yeah. And I do, too, I also agree that's a great tool to be used in this regard. You reference some of the various other things that we're gonna be discussing in this committee and other committees other avenues towards property tax relief, would you prefer at the end of the day, regardless of what we do elsewhere, that we do maintain a certain level of funding into the Property Tax Credit Fund?

**PETE RICKETTS:** That is my preference, because it is direct property tax relief from the state to all property owners in the state.

**BRIESE:** OK, very good. And then, I've been arguing for years that Internet sales tax revenue, on-line sales tax revenue ought to be directed to property tax relief. I think you share that, that belief, correct?

**PETE RICKETTS:** Yeah, and in fact, that's what my proposal in the budget actually reflects. So we have estimated that that Internet sales tax would be roughly 30 to 40, 30 to 40 million dollars a year. And this proposal-- the proposal in my budget is to increase the Property Tax Credit Relief Fund by \$51 million.

**BRIESE:** OK, great, that was gonna be my next question if this was an effort to try to get those dollars to property tax relief. Very good, thank you.

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**PETE RICKETTS:** Thank you.

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

**KOLTERMAN:** Thank you. Governor, you indicated-- first of all, thanks for being here. You indicated-- are you open to the idea of foundation aid as well?

**PETE RICKETTS:** That's actually something Senator Groene and I talked about with Speaker Scheer probably what, two years ago or something like that. Absolutely. It's one of the ideas that we can use to address and try and make that school aid formula fair, more fair at least, and then you know, for example, with the increase in ag land, valuation's going up 252 percent over the last 10 years, that what we've seen is a lot of our rural school districts are no, no longer receiving equalization aid. In fact, I think it's 82 districts out of 244 actually receive it. If every child got something out of that equalization formula through foundation, I think that would be something that would make it more fair.

**KOLTERMAN:** One other thing, I just-- I think it has-- this has to do with property tax relief as a whole. I think you-- you've been on the record as indicating that maybe we ought to change the way we, the way we evaluate our land, land prices and how we assess our land.

**PETE RICKETTS:** Yeah, that's accurate. Senator Erdman, for example, this year has a bill that would change how we value ag land from the market sales assessment we have today to an income potential assessment that is used by North Dakota, South Dakota, Kansas, Iowa, Illinois, Indiana, Wisconsin, Ohio, all these ag states have gone to that as a more fair way to be able to value ag land. And that's something I think we should be taking a look at as well.

**KOLTERMAN:** OK, thank you very much.

**LINEHAN:** Thank you, Senator Kolterman. Senator, Senator Groene.

**GROENE:** Thank you, Chairman. Thank you, Governor, for being here. You took some abuse by sending out those postcards a couple years ago. [LAUGHTER] I actually agreed with you-- I actually agreed you did the right thing because most people don't realize they're getting property tax relief when they look at their-- you, you attempt to be transparent. But wouldn't it be better-- because I-- you know, I've

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talked to you before. All that does is allow the local entities, when it shows up on their tax statement to hide behind that credit and raise their taxes. We give them \$100. They raise their tax asking by 90 and claim you, you still got-- lowered your taxes. Wouldn't it be better to show a tax credit on your income taxes, so that those local tax entities couldn't hide behind that credit?

**PETE RICKETTS:** Well, as you may recall last year, one of the bills that we had would have been a refundable income tax credit that would have phased in over time and been a 20 percent credit based upon the property-- all the property taxes you pay. So that was obviously a bill that I supported then as well. And I do think it's important to note that the Property Tax Credit Relief Fund is direct property tax relief to the taxpayer. Where as I mentioned, it's not the only thing that we need to do. This is a multifaceted issue and we need to make structural change and that's why, for example, later this afternoon when we talk about LR8CA to be able to limit how much your taxes can go up and really encourage that expense control.

**GROENE:** But at least if you put it as a tax credit on the income tax, tax-- somebody who actually piles income taxes would get it, it might-- you know, the \$275 million could be-- the accountant could figure out you've got so much property tax you paid, you get this percentage and you can take it as an income tax credit. I think it would be-- I just don't like that, that free pass to the local taxing entities to hide behind that credit. I've always argued that. So thank you.

**PETE RICKETTS:** Yep, thank you.

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

**PETE RICKETTS:** Great. Thank you.

**LINEHAN:** Thank you. Are there other proponents? Good afternoon.

**DOUG OERTWICH:** Good afternoon, Madam Chairman, members of the committee. My name's Doug Oertwich, D-o-u-g O-e-r-t-w-i-c-h. I'm from Pilger, Nebraska. I'm here to show support for LB303. As a farmer and a landowner, I think any relief we get on property taxes is very important. Right now, our farm economy is in an income drought. And I know a lot of the senators know that. So at this time it's hard to show a profit, let alone our taxes keep continuing to climb. So I have

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farmers that tell me, and people that tell me they rely on this, and they do notice that on line item that it is a tax credit. So we didn't get in this situation overnight, and I've had groups tell me, well, this ain't enough, but it's a start. We've been trying for five years to get something done and we're not getting nothing done. And I think last year when Speaker Sheer got mad at it, I think everybody climbed in their corner and nothing got done. So we need to do something. And I appreciate the work everybody is doing and I hope there is a collaboration of all the bills that actually get some more going and the Governor has got another one coming up that I think is a good start. So for that, I know there's a lot coming up and I had some information that could bring you, but you know how much it is. But just on one piece of property I have-- to close because I want to keep it short because there's a lot to testify, when I started farming that 25 years ago, my rent from my aunt-- my taxes are now higher than my rent was 25 years ago. So we just have to do something and any start's good and we appreciate your help, and thank you for serving on the committee. Any questions?

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

**DOUG OERTWICH:** Thank you.

**LINEHAN:** --very much for being here. Other proponents?

**SHANE GRECKEL:** Good afternoon, committee members,--

**LINEHAN:** Good afternoon.

**SHANE GRECKEL:** --Chairwoman Linehan. My name's Shane Greckel, S-h-a-n-e G-r-e-c-k-e-l. Just like Mr. Oertwich, I'm gonna try to keep my testimony as short as possible on this one, but it does seem like it's a broken record coming down here as a farmer and rancher talking about property tax reform or just some property tax relief in general. I support LB303 today because it's giving direct property tax relief back to farmers and ranchers and that is absolutely what's needed. And I want to share just a few numbers on one personal farm, my own farm, Property Tax Credit Relief Fund on just this one farm is giving back over \$400. While it doesn't seem like a lot, I want to tell you where that \$400 goes. It goes right to our local community. It goes right to my John Deere shop, Case IH, New Home, whatever you have, the local welders, local repair people. So this is direct money coming in. So if we have a little bit more to help our farmers and ranchers out, this

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really goes right to our local communities keeping them strong, and that's what we have to see in order to keep Nebraska's number one economy going which is agriculture. And we see this going on and on and on in just perpetual motion trying to keep more and more tax and more tax relief going, but LB303 gives us more when it comes in and gives us this direct property tax credit relief. I can go to my land-- my landlords, which I rent a lot of ground, and this actually helps us farmers the most where we can talk with our landlords saying, hey, you guys are getting direct tax credit relief. Can you keep the rents low? They never thought about it until we pointed it out and then all of a sudden we can keep the rents just a little bit lower, 10, 20 bucks an acre, that is huge to a farmer because sometimes your profits might only be \$5 an acre. So we have to work on extraordinarily thin margins, so any amount helps. This would really, really help out. The final thing that I would like to comment on, on this is-- and this remains and this helps us be competitive with other states. Other states have a completely different tax code, much less money involved on this. We'll take Marion County, for example, and Iowa, I know some individuals out there, they're paying \$15 an acre in property taxes on some of the best ground in the United States. On my ground, I'm paying over \$40. It's not nearly as well. So every little bit, like I said, I keep echoing that because that helps us remain more competitive. It takes a couple of bucks off of our property taxes and keeps Nebraska farmers doing exactly what they are the best at, making sure that we can produce and remain competitive with any other state to provide this Nebraska's number one economic engine. Thank you. Any questions?

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

**FRIESEN:** Thank you, Chairman Linehan. Do you realize that in the York Public School districts they pay over \$100 an acre in property taxes?

**SHANE GRECKEL:** Yes, I've heard a wide variety.

**FRIESEN:** Does, does this help make them competitive with Iowa?

**SHANE GRECKEL:** I cannot speak for them because I'm not in that property tax district, but any, any dollar helps. I'm not saying that this is the cure-all, this is a starting spot. Again, when you're working on \$5 an acre margins, if somebody can give me another buck and a half, two bucks back, I'm helpful with that.

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**FRIESEN:** I agree,--

**SHANE GRECKEL:** Um-hum.

**FRIESEN:** --but it's-- we've got a long ways to go.

**SHANE GRECKEL:** Yes, we do.

**FRIESEN:** Thank you.

**SHANE GRECKEL:** I completely agree with that.

**LINEHAN:** Thank you, Senator Friesen. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. Thanks for coming today, Shane.

**SHANE GRECKEL:** Um-hum.

**KOLTERMAN:** Just out of curiosity, are your valuations dropping at all on your properties up in your area?

**SHANE GRECKEL:** It depends where you're at. If we're having a structure like-- let's say, a grain bin site with buildings literally falling down, they for some reason keep increasing those in valuation. I don't know why, but that keeps going up. On the average though for our crop ground, we have seen a drop. However, it's been slight, maybe 1 to 2 percent on some of our farms. I know other farmers have said that they've seen a larger drop than that.

**KOLTERMAN:** OK. Thank you.

**SHANE GRECKEL:** Um-hum.

**LINEHAN:** Thank you, Senator Kolterman. Are there other-- Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And thank you for your testimony, Mr. Greckel. You mentioned you rented ground earlier, do you feel as a tenant on that ground that you have to absorb any property tax increases?

**SHANE GRECKEL:** Yes, I do. That is the main argument from landlords year after year coming back to me. I'll-- take for example, in 2017, we had low yields in the northeast part of the state. We didn't have any rain. Nobody has to say that corn and cash was around \$3.50 to-- or sub \$3.50. And yet the tenant or the landlords came back and said

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my property taxes went up again this year. I need another 20 bucks an acre, which is disproportional, but still they keep increasing it. And this actually did help on a couple landlords.

**BRIESE:** Sure. I heard the same comment from landlords. Very good. Thank you.

**SHANE GRECKEL:** You bet.

**LINEHAN:** Thank you, Senator Briese. Are there are other questions? Seeing none, thank you very much for being here.

**SHANE GRECKEL:** Thank you, committee members.

**LINEHAN:** Other proponents?

**LYNN REX:** Senator Linehan, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We thank the Governor for introducing LB303. On Monday evening, the League Executive Board comprised of 15 elected officials across the state voted unanimously to support this measure. I think it's an important piece to providing property tax relief. As the Governor indicated, it doesn't solve the problem, but it certainly helps and we really support his efforts in doing that. There are a number of ways to provide property tax relief, and this is one of them directly to the property taxpayer. Obviously, the other kinds of relief involves to the property-- to the individual in entities like cities, counties, and schools. But again, we really appreciate the introduction of this measure. We think it will help, and I'm happy to answer any questions that you might have.

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

**LYNN REX:** Thank you very much.

**LINEHAN:** Um-hum. Other proponents?

**LISA MAY:** Chairman Linehan, Revenue Committee members, I am Lisa May, that's L-i-s-a M-a-y. And I am here today to show support for LB303. The fact that we are here today to once again discuss property tax relief and how to solve this problem is a reflection of the failures of past legislatures to address our broken tax system. The issue is not a new one. It's been studied and talked to death. We have been looking for a suitable and feasible solution for decades. In fact,

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it's been so long that many in this room weren't even born. I was a college student and I think the Governor had hair. [LAUGHTER] It's time for senators to take action and to get to the root of the problem. The Legislature needs to roll up its sleeves and control spending and finally get tax relief done. Recently, Nebraska changed its tourism slogan to, it's not for everyone. In the property tax conversation, there's a grain of truth to this. Our property taxes discourage businesses and fiscally-minded people from considering Nebraska. The high cost of property taxes is borne by everyone, whether you live in the city, suburb, acreage, or on a farm. Property taxes are not, are not determined by your political affiliation, education, income, or employment. Some want to raise state taxes for what they call property tax relief. This is a Band-Aid to continually raise taxes to treat the disease of out-of-control spending that does not work. If you raise my income tax and take my money to send me a check for property tax relief that isn't relief, it's just rearranging the deck chairs on the Titanic while the government continues to grow. And we wonder why Nebraskans have become disenchanted, disillusioned, and disgusted with the workings of the Legislature. The cost of high property taxes is about far more than just money. It's about opportunity. It is about the cost of new jobs and businesses to our state. It's about the cost of retaining our work force, the cost of new residents, and retirees, retaining family members after they graduate to work family-owned businesses and farms. Just think where we would be today had this problem been solved decades ago. The state could have a multi-million dollar surplus. We could offer more innovative work force programs to our people. We could offer more property tax-- or excuse me, more tax relief at the state level. The possibilities are endless. Today, I'm here to testify as a taxpayer and a property owner. Ten years ago when we purchased our home our payment was roughly \$1,200 with \$243 in taxes per month. Now after we refinanced our 30-year mortgage to a 15-year mortgage and lowered our interest rates by three points, our house payment is \$1,700 with \$344 towards taxes. We received a \$206 tax credit. LB303 would help increase this credit and give us certainty that the Legislature will not take that credit away in the future to spend it on a pet project. I'm also here to testify as a small business owner representing mom-and-pop businesses and everyday hard working farmers. If we ran our businesses like the government, we would not be in business very long. If we took care of our bills like the government, we would be fined, forced into foreclosure, or have to file bankruptcy.

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**LINEHAN:** Thank you.

**LISA MAY:** I come from an era of bills where if bills are higher and the income is lower--

**LINEHAN:** Maybe somebody will ask you a question.

**LISA MAY:** Oh--

**LINEHAN:** You've gone on your red light.

**LISA MAY:** OK.

**LINEHAN:** It's OK. We'll probably get somebody to ask you a question. You're rolling, that was good. Are there any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman. And thank you for being here, and I agree with you, we have failed-- this body has failed, so it's time we get something done. But go ahead, did you have a couple other comments you wanted to make there?

**LISA MAY:** Just a paragraph.

**BRIESE:** Go ahead.

**LISA MAY:** If we ran our businesses like the government does, we would have to go into foreclosure. Now I come from the era where you get an extra job, you get rid of expenses, you go without, you work harder. And it's no different than you when you have to tell a child-- you know, no, it's time to get a job. I'm also here to testify as a grassroots leader in the state as president of the Nebraska Federation Republican Women, and our organization fully supports our Governor and LB303. We're the voice of hardworking women of all demographics across the state that feel government has ignored viable solutions to serious issues. It's time to solve the problems as opposed by placing them not on the back burner and passing the buck. I--

**BRIESE:** Thank you.

**LINEHAN:** Thank you.

**LISA MAY:** --advance the bill, please.

**LINEHAN:** Thank you.

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**LISA MAY:** Thank you.

**LINEHAN:** Senator Groene.

**GROENE:** Thank you. I liked your part about controlling spending, but this does none of that. This bill does none of that, it actually gives them a Band-Aid for local governments to hide behind to raise your taxes. Do you-- you do understand that? That when they put that credit on the bottom, all those local entities-- if we give a \$100 credit can raise your taxes \$90 and it still looks like you got a \$10 credit. Every single property tax that's collected is spent in this state, but we keep electing the same city council people. This city keeps electing a mayor who don't-- can't even-- doesn't even know how to buy sand or salt,--

**LISA MAY:** That's why I live in Kearney.

**GROENE:** --but he, but he can put arts in the park and bicycle trails, but there's a problem.

**LISA MAY:** But that's the--

**GROENE:** So how do we control the local spending because that-- every single dollar of property tax gets bent-- gets spent-- bent a little bit, too. But I--

**LISA MAY:** Well, you're gonna have to have a starting point somewhere along the line. And apparently 30- plus years out of the whole conglomerate of everybody in the Legislature, there hasn't been a feasible starting point because if there had, we wouldn't be in this mess that we are in now. So you have to have a starting point. And I agree, it's not an answer 100 percent. It might not solve all the problems right off the bat, but it's a starting point. And no matter what you do, you got to have a starting point to get something done. And maybe you're just gonna have to not have all of the programs, you're gonna have to do some more cutting. Well, that's, that's life. Whether it's a household, whether it's a business,--

**GROENE:** Thank you.

**LISA MAY:** --whether it's a government, you're gonna have to do that.

**GROENE:** You have to start somewhere.

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**LINEHAN:** Thank you, Senator Groene. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. You mentioned cutting, do you have some suggestions on where we should cut?

**LISA MAY:** What time do you want to be done today?

**FRIESEN:** I got all-- I got until 10:00, 11:00 tonight.

**LISA MAY:** There's lots of places off the top of my head of wasteful spending, not giving everybody everything they want whenever they ask, like it's open checkbook on, on everybody. That-- that's not how it works. That's not how it works in a household. That's not how it works in a business. You got X amount coming in, you got X amount to pay, you're gonna have to make the ends meet.

**FRIESEN:** I won't disagree with you, but every time we've tried to do that, you'd think we're cutting off somebody's hand. They're saying it's gonna kill us. We can't cut spending, it's impossible. And we have not. I, I agree we should cut, and should we just do across the board 3 percent?

**LISA MAY:** Got to find a starting point someplace.

**FRIESEN:** You could [INAUDIBLE] with me.

**LISA MAY:** You have to cut, you have to cut in your household, you have to cut in your business. It's, it's-- sometimes it's extra, sometimes it's necessity, sometimes it's going without, sometimes, well, that's just too bad, that's the way it is.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Other questions from the committee? Thank you very much for being here today.

**LISA MAY:** Thank you.

**LINEHAN:** Appreciate it. Other proponents? Good afternoon.

**DAVE WELSCH:** Hello. My name's Dave Welsch, D-a-v-e W-e-l-s-c-h. Good afternoon, Senators. I am here to testify in support of LB303. I am a farmer and currently serve as president of Milford Public Schools Board of Education. I've served on the board for 20 years. More state resources are needed to lower the reliance on property taxes,

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especially when it comes to funding public education. So designating increased resources for property tax relief is a step in the right direction. The Property Tax Credit Fund provides equal relief for property owners. It doesn't differentiate between circumstances across school district lines. Property tax relief should be targeted to those property owners who have most recently been hit the hardest with higher taxes. Those would be ag landowners in rural equalized districts. As ag land values went up, equalization aid went down. In most of these districts for every dollar lost in state aid, it had to be replaced with increased property taxes. And if those lost state aid funds hadn't been replaced by property taxes, then the education of those students would have suffered. So before providing property tax relief equally across the board, the first step should be to provide property tax relief for rural equalized districts who are hit the hardest. This can be done by adjusting ag land values within TEEOSA-- within the TEEOSA formula to 40 percent. Once this has been done, then providing property tax relief in other ways should be considered. Other ways to provide property tax relief would be to increase SPED reimbursement from 50 percent to 80 percent, increasing allocated income tax to 20 percent, and providing supplemental aid outside of the equalization formula to all students across Nebraska. You will need to increase other taxes or use some of the current Property Tax Credit Fund to do this. You've been elected to legislate solutions to the number one issue in the state, property tax relief. Please do so this year. Thank you, and I'll take any questions.

**LINEHAN:** Thank you, Mr. Welsch. Are there questions from the committee? Senator Groene.

**GROENE:** So do you like this bill? What you said had very little to do with it.

**DAVE WELSCH:** I, I debated on going support or neutral or opponent. I'd thought I'd, I'd start this way and try to stay positive. I see Senator Lindstrom has stepped out, I, I missed testifying-- oh, is he over here? Thank you. We missed him on Valentine's Day, so I, I thought I'd come in and support. I think there's a lot of bills in front of the Revenue Committee that have some components that would be very valuable in providing property tax relief to all property taxpayers across the state. We can provide property tax relief by lowering ag land valuations to a rural equalized district. The allocated income tax will put money into all school districts except those that are equalized because that would be counted as a resource,

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supplemental aid to students is Senator Crawford's bill, which we'll hear on Friday would provide aid to all school districts and all students, increasing special ed reimbursement to all school districts would assist in large part to all school districts and especially those small rural districts. I just talked to our superintendent today, I said, what's, what's the most we've ever spent on one student for special education? He says, oh, it's probably pushing \$100,000 for one school year for the most needed students. And I said, well, how much was our comp study last year on teacher raises in our district? Well, it's about a \$150,000 increase. So by one or two students moving into our district with high needs, it'd blow our entire budget. So increased SPED reimbursement would not only help rural districts but all districts.

**LINEHAN:** Thank you, Senator Groene. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And thank you for your testimony. I, too, like the Property Tax Credit Fund. It's fair, it's simple, easy to understand, it's effective. I heard you-- I've heard you say in the past, I heard you say today that we need to target relief to those folks that have been impacted the most by this run up in valuations is not reflective of ability to pay anymore. The Property Tax Relief Fund does target those folks, doesn't it?

**DAVE WELSCH:** It provides equal relief to all ag landowners and all residential property owners and, I'm assuming, commercial property owners as well. But it, it brings that relief equally to all, but rural equalized district ag landowners have been hit the worst in the last eight years as I described with equalization aid.

**BRIESE:** Yes.

**DAVE WELSCH:** You know, as those resources so-called wealth went up in those districts, our state aid went down. As I testified a couple of weeks ago, we lost about \$1.6 million in state aid in our district in over the last eight years, I believe it was, and we've had to raise property taxes by \$1.8 million. So slightly more than what we lost in state aid, but naturally you've got some cost of living increases in there. So almost dollar for dollar we've had to put that burden onto our property tax owners because we've lost out on state aid and it's--

**BRIESE:** My point, though, is this can be a tool to target those people that have been hurt the worse over the last six, eight, ten years.

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**DAVE WELSCH:** If you adjusted how the Property Tax Credit Fund was distributed?

**BRIESE:** No, as it is distributed.

**DAVE WELSCH:** And I'm not-- it would provide relief to all, but--

**BRIESE:** OK.

**DAVE WELSCH:** --in-- disproportionately to how they've been affected by the rise in ag land valuations.

**BRIESE:** Thank you.

**LINEHAN:** Thank you, Senator Briese. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair. And thank you, Mr. Welsch, for being here. You talked about the various ways to reward or at least compensate school systems. Would you prefer a foundation aid or some help with special ed or what other programs would you like to see enacted that would help a school system like yours?

**DAVE WELSCH:** Well, as I look at this I don't think it's just our school district that needs to be looked at. We need to look at all school districts across the state. I think to provide a good policy for the entire state we're going-- again, we'll have to take pieces from all the bills that have been, been introduced to that effect. I think there's positive pieces in all of them. And again, the-- adjusting ag land valuation, SPED reimbursement, allocated income tax, and, and-- what was the-- adjust-- providing supplemental aid outside of the equalization formula. Those-- as far as-- I believe you used the term foundation aid, do you define that as a-- so many dollars per student or as a percentage of the [INAUDIBLE]? The supplemental state aid basically would be a dollar per student funding source for all school districts and, and at the level that it's at around \$490, I believe, that's probably a good place to start and see how it works. Put it into the formula and see how state aid adjusts over a period of time. I think some of the thoughts on increasing basic funding as a percentage of budgets, it's worthy of consideration. But as I've looked at the printouts on how that impacts aid to school districts, I'm not sure that it's been fully vetted yet to bring aid to the districts that need it the most, and it may provide aid to districts that really don't have a property tax issue. As valuations went up, they've simply lowered their levy. They haven't had a huge increase in

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property taxes. And again, I'm speaking mainly for school districts that's where my so-called expertise is after 20 years on the Milford Board and 7 years on star school District 1. So--

**McCOLLISTER:** Thanks, Mr. Welsh.

**DAVE WELSCH:** Thank you.

**LINEHAN:** Thank you, Senator McCollister. Senator Groene.

**GROENE:** Thank you. Right now, I think it's about two-thirds property taxes, one-third state for funding, but special education is 50 percent. We are actually funding special education better than we do the average school room. So everybody talks about special education, but we're ahead of the curve there. Right now, it's about only 33 percent. And that 33 percent is all towards the equalized districts, it's, it's portionable, so. But I didn't hear you-- anything about saving or controlling costs in education and you're on the school board.

**DAVE WELSCH:** Sure.

**GROENE:** I mean, you seem to spend everything that you-- unless you guys have lowered your levy lower than you could. But no matter what we do, if we give you more money, it disappears and you want more the next year. I've been around long enough to find that out.

**DAVE WELSCH:** I would take exception to that statement. I believe when you look at education spending over the last 10 years you'll see that, that it's grown just over 3 percent a year across the entire state all levels of school districts. And as I testified approximately two weeks ago within the Milford Public Schools, our average increase over the last 10 years has been 2.1 percent. And in the last three years, we've actually lowered our property tax request-- or actually it's our budget of expenditures. We've lowered that by, I believe, 1.5 percent for the last 3 years, so we are keeping a rein on expenses.

**GROENE:** And your enrollment is going up?

**DAVE WELSCH:** Slightly, yes, and we're having to add classrooms at the elementary level because of larger class sizes. We try to keep our teacher-pupil ratio as low as we possibly can, but yet still consider the taxpayer along the way as well.

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**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? I have one. Don't you have one of the lowest cost per student, pupil rates in your group's size of schools? I've looked at this [INAUDIBLE].

**DAVE WELSCH:** I haven't looked at the ten, the ten higher and the ten lower, that's what you're referring to?

**LINEHAN:** Well, I would say in your whole-- how many students do you have?

**DAVE WELSCH:** Around 750.

**LINEHAN:** So in your group [INAUDIBLE] schools, I believe you are one of the very lowest spending per pupil schools, which probably goes to something with you being on the school board for how many years?

**DAVE WELSCH:** Twenty years. I've got a fellow, farmer classmate of mine from high school that's been on 26 years. And I would--

**LINEHAN:** That's good, two farmers. That's real good.

**DAVE WELSCH:** Yeah, it, it helps.

**LINEHAN:** Yes. Other questions from the committee? Thank you very much, Mr. Welsch, for being here.

**DAVE WELSCH:** Thank you. Thank you for your questions.

**LINEHAN:** You're welcome. Other proponents?

**BRAD BEAM:** Madam Chair, members of the Revenue Committee, my name is Brad Beam, B-r-a-d B-e-a-m. I'm a Lincoln resident. I'm here today to speak in favor of LB303. And I'm also supportive of LR8, which you're gonna about later. A little over forty-- four and half years ago, I moved back to Nebraska. I was born and raised here. During my transition, I purchased a house in central Lincoln. And recently in January, I've received my third notice of value assessment. So in four and a half years, my home has been assessed again for a third time. During that four and a half years, I'm looking at a 42 percent increase in valuation of my house. I want to bring this in context of taxing authorities, and particular in relationship to Lincoln Public Schools. You know, my taxes don't [INAUDIBLE] if the levies are

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adjusted to compensate for the increased assessed value. But the Lincoln Public Schools chose to maintain in 2017 the maximum tax levy of \$105 [SIC] per \$100 valuation. This resulted in a windfall of \$18.9 million to the district and a budget increase of 4.9 percent. The average Lincoln homeowner with the home value of \$163,457 paid an additional \$185 hiking their annual tax bill to LPS to \$2,235. Did the district need to take all of the \$18.9 million tax windfall? The answer is, no. During the five-year period between 2012 and 2017, the Lincoln Public Schools' budget increased by 27 percent. During the same period, enrollment increased by only 13.5 percent. The Lincoln Public Schools' decision to leave the 2017 tax rate unchanged in the face of the biggest increase in property valuations in a decade caused a great concern in our community. This lack of fiscal restraint displayed by the Lincoln Public Schools is why I'm here today asking you for support for LB303, which will ensure relief to the property taxpayer through the Property Tax Credit Relief Fund. And I'm also supportive again of LR8, the constitutional amendment. When considering LB303 and LR8, don't forget that Nebraska is the seventh highest state in ranking for effective real estate taxes. We are at a disadvantage in attracting and retaining workers because our property tax burden. You must now act to provide ongoing property tax relief, as well as to provide a remedy to the excessive spending by local government entities. The Credit Relief Fund is one important aspect of one important tool that you have to lessen the tax burden on the citizens of this state.

**LINEHAN:** Thank you--

**BRAD BEAM:** Thank you.

**LINEHAN:** --very much for being here. Are there questions from the committee? Seeing none, thank you very much. Other proponents? Seeing none, are there opponents? If you're gonna testify, move up front guys. Are you an opponent or neutral?

**SARAH CURRY:** Opponent.

**LINEHAN:** OK.

**SARAH CURRY:** Good afternoon, my name is Sarah Curry, S-a-r-a-h C-u-r-r-y, and I'm the policy director for the Platte Institute. While the choice to subsidize local property tax bills to their current levels, we're concerned that LB303 does not have the appropriate mechanism to assure that local property, property taxing entities will

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meaningfully reduce the property taxes in response to receiving these new revenues. What history has shown us is that while property taxes are locally levied, there is significant state involvement with the amount of tax local political subdivisions can levy, how property tax assessments are conducted, and what services local taxing subdivisions must provide for their residents. Many of the changes the state has made in the past to lower the local property tax required a shift in financial responsibility from the local governments to the state. This comes at a cost to state taxpayers because the result is a shift from income and sales tax to temporary property tax relief. We view this proposal as another tax shift. This proposal concerns us because even though the Relief Fund was supposed to receive \$224 million last year, it was only funded at \$221 million because other areas of the budget needed the funds in order to meet the balanced budget requirement. During the 2018 legislative session, there was a projected budget shortfall that was eliminated with transfers from the cash reserve fund, transfers or a swipe of the cash funds from agencies to the General Fund, and then a net \$18.6 million in cut through appropriations. If LB303 passes and the Legislature faces yet another shortfall, the agency cash funds will not be available because they've already been swiped and the state will be required to put more money into the Credit Relief Fund putting other government programs at risk of being cut or forcing the Legislature to raise state taxes. It's clear that the Property Tax Credit Relief Fund policy is not working to fundamentally lower property taxes and does not create lasting reform, only temporary relief. It is also likely to put more pressure on the state and pose a significant risk of forcing either additional spending reductions or increasing taxes. For these reasons, we do not believe that adding additional revenues to the fund is a wise policy decision. We appreciate the intent of this legislation, but would suggest as an alternative to the Relief Fund that structural property tax reform through levy, levy rate or valuation reductions be considered as an alternative. Nebraskans want structural change over temporary relief.

**LINEHAN:** Thank you.

**SARAH CURRY:** Thank you.

**LINEHAN:** Are there questions from the committee? Senator Groene.

**GROENE:** So you touched on something-- thank you, Chairman. This is a tax shift,--

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**SARAH CURRY:** That's the way we believe--

**GROENE:** --you take incoming sales taxes and you're, and you're, and you're shifting at the property tax relief, so it is a existing tax shift, is it not?

**SARAH CURRY:** That's the way we view it. Yes, sir.

**GROENE:** Yeah. Wouldn't it be better for the state to just pay for a duty they have like public education directly instead of this game of a tax shift?

**SARAH CURRY:** Yes, I, I would believe so. When we look at economic theory, we look at the impact that government spending has versus reducing tax rates. And I would say in the case of a recession, which is what western Nebraska is in right now, government spending does have a positive impact on the economy to a point. But I don't think this is helping the economy, because this is not actually increasing aggregate demand. Because what we're doing is what you said, the tax shift, these people are still experiencing high state taxes in other places, and so the money they're getting from the Relief Fund is just going to pay those other taxes. Where if we actually fundamentally reform the way the property tax system works, we might be able to find efficiencies which we've talked about before in other areas of the government,--

**GROENE:** So,--

**SARAH CURRY:** --but then also reduce the tax rate.

**GROENE:** --so would you call if the state stepped up and did its duty and paid its debts, like public education, and property taxes happened to go down, would you call that a tax shift or is the state actually doing its duty?

**SARAH CURRY:** I, I would not call that a tax shift because I believe the state's already paying for public education through the Relief Fund sending it to the districts and then also through the TEEOSA formula. And so taking this-- let's say, we take the Property Tax Credit Relief Fund as is and move that money over to public educations then lower the levy by 10 percent, or whatever, then we're lowering property taxes, but we haven't increased spending at all because we already have it in the budget. And I think that would actually result

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in a more positive economy for Nebraskans rather than putting it in here.

**GROENE:** You said earlier about government spending is economic activity, but normally isn't that when you take government funds coming from somewhere else, the federal government just prints it and you move it over here and spend it, that's an incentive. But when you take money from the local's, probably taxes, like property tax and spend it locally, that's not an economic incentive or a growth factor, is it?

**SARAH CURRY:** No, because the-- what we have to watch out for is crowd out, so we don't want the government taking the money from citizens and then crowding out private investment.

**GROENE:** So if the state stepped up and put state aid into our local schools in rural Nebraska where we have a recession going on, it's not-- it's a depression, and through the payroll at the schools went to main street and lowered the property taxes so that local residents could free up more money to spend locally, would that be economic development created by government spending?

**SARAH CURRY:** I would view that as a direction towards economic growth at the local level, yes, through reduced taxes, yes.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. I think in your comments, did I catch you saying something about lowering the valuations? Is that for tax purposes or what was--

**SARAH CURRY:** No, what we were saying instead of putting more money in the Property Tax Credit Relief Fund, if there was a structural change such as lowering the levy rates or lowering the valuations that actually gave people relief, that would mean more than just increasing the Relief Fund.

**FRIESEN:** So if you, if you lowered valuations and said, you know, right now I think urban residential homes are 95 to 100 percent or is in that range, if you would lower that 5 percent or 10 percent, start working that down, would that be better than trying to lower the levy? Because when we-- when they've lowered the levy in the past, the value increases the valuation have brought in more tax money in. So they

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still taxed more. So if we'd lower their ability to tax 100 percent of something, is that--

**SARAH CURRY:** I think that's one of the tools that you have to use in property tax relief. A great example of this is Nashville, Tennessee, their property tax levy is \$3.14, but their assessment level is only 10 percent. So they effectively have lower property tax burden than we do here in Nebraska even though their levy rate is higher. That's one method to go about it. Some states have a cap on their levy rates and keep it much lower and have a higher valuation. What we're saying is some combination of those tools is used to fundamentally lower property taxes, this Credit Relief Fund is not.

**FRIESEN:** OK. So like in, in some schools, obviously, they do not get any equalization aid because of the value of ag land. So in my district, for instance, you could lower the level of ag land down to 45 percent of value and they still get their first dollar of equalization aid. And so we're right now valued-- it's probably at 75 percent, but there's no state aid in between that. In between, they just move their levy up and shift the taxes back to the same place. It does no good until you get down to a certain level.

**SARAH CURRY:** Right. And that's a problem with education funding, and when I read the history of, I believe, LB1059 back in 1990 that was the problem. We wanted to create two separate funding formulas, one for rural, one for urban, and you can't do that constitutionally with the school finance legal precedent. And so, I think, that's what's getting at the problem, we have these high valuations in the rural areas it's one way, in the urban areas it's another way. And this goes back to Senator Groene, I think that we need to change the way we fund public education from the state so that way we don't have this burden on the local taxpayers. And then, hopefully, that will alleviate some of that burden on the rural farmers.

**FRIESEN:** You know, we're-- we already spend almost a billion dollars in state aid to K-12.

**SARAH CURRY:** That's what I mean, so we're already spending all this money on K-12, and I've-- there's got to be a way that we can move it around. I mean, another way is that we have all these caps on the levies, but then we have levy overrides. And, yes, I'm a firm proponent on if a citizen wants something and they vote for it that they should have it, but then I feel like the argument for high property taxes exceeds that to a point. And so do we start doing away

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with some of these override options? I do think there needs to be structural reform instead of just like this bill says.

**FRIESEN:** So sometimes, I mean, you-- you've seen in some of the areas now every lev-- or every bond issue, it passes. Do people not relate voting for a bond issue that their property taxes are gonna go up?

**SARAH CURRY:** I do think there's some misconceptions in the public about how bonds are funded and how bonds are paid for. And I, and I don't know how you increase voter education on the true cost of a bond. There's been proposals-- I know in this body to include in bond referendum language the associated payback with that. Maybe that would help educate the voters to understand more of what they're doing. But I know if I don't have an understanding of how public finance works and I want my kid to have a new athletic facility, I care more about that while my child's in high school than I do the, the bond payback. And the only reason why I know it, is because this is what I do for a living, and so I do think there's that voter education deficit.

**FRIESEN:** So in, in some of the rural areas, part of the problem with that is that the, the urban residential vote when, when you do a bond issue it costs them \$50 a year and it costs the ag landowner out there \$500. Pretty easy to raise somebody's taxes \$500 when yours goes up \$50. How do you, how do you stop those votes from happening when it doesn't impact you by that vote?

**SARAH CURRY:** And that's a very unique situation. I know two weeks ago, the gentleman that came in here that lives in the same district as Larry the Cable Guy, he was talking about how Larry only pays for two and a half students where he pays for, I believe it's, 12 or 15 students and, and that's a problem. And I know that the issue in Nebraska is that we have the rural problem, we have the urban problem, but we still have to abide by-- you know, public finance laws for education and then also dealing with the, the property tax problem. So valuations might help on some of that if you lowered ag land more. Again, maybe harsher levy limit-- limitations, but I don't feel like an increase in the Property Tax Credit Relief Fund is gonna fix any of the issues that you've brought up.

**FRIESEN:** Would, would better spending lids also help?

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**SARAH CURRY:** I mean, the only reason why local governments tax is because they spend. And so if they weren't spending the money, they wouldn't need to tax.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And thank you for your testimony. I believe I heard you say earlier that we need to change how we pay for public education, and I agree with that statement 110 percent, that's what we need to do. But isn't the Property Tax Credit Fund a tool to allow us to do that? Increasing the dollars in the Property Tax Credit Fund, isn't that a de facto increase in state aid education?

**SARAH CURRY:** So the way I understand it, and feel free to correct me if I'm wrong, is that if we have a school district and they're levying at the maximum rate and we have the Property Tax Credit Relief Fund, it's not actually lowering how much the schools are spending or how much the schools are, are taxing, it's just giving you a refund. And so they're, they're staying at that maximum rate. And so there's no incentive for that school to find a way to cut or to lower it because this Relief Fund is sort of masking that true cost of public education. And so I think that's where the difference comes in my point. I don't think it's helping the overall picture.

**BRIESE:** Well, you know, we're discussing and talking about all these complex solutions to the problem. And wouldn't a simple answer be simply utilizing the Property Tax Credit Fund, and then imposing a property tax asking cap or some sort of a budget limitation that control school spending, such as a tax asking cap in LB506, or perhaps in LR8CA, utilizing some mechanism like that coupled with a substantial increase in the Property Tax Credit Fund? Wouldn't that get us to where we need to be?

**SARAH CURRY:** I definitely think that would help. And again, if the Property Tax Credit Relief Fund was coupled with a policy like a limiting mechanism like you said then it would change our position. But because this bill as a stand-alone, is only increasing the state's spending on the Property Tax Credit Relief Fund. As a stand-alone, independent policy, we would not support that. But coupled with some other limiting or capping feature would definitely change our opinion because then you're actually getting relief, then you're actually

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getting reform that's going to lower that burden on people. And this, as written, does not actually lower the tax burden on anybody.

**BRIESE:** OK. Thank you.

**SARAH CURRY:** Thank you.

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

**SARAH CURRY:** Thank you.

**LINEHAN:** Are there any other opponents? Is there anyone wishing to testify in the neutral position?

**RENEE FRY:** Good afternoon, Senator Linehan, members of the Revenue Committee. My name's Renee Fry, R-e-n-e-e F-r-y. I'm the executive director of OpenSky Policy Institute. While we greatly appreciate that this bill attempts to reduce property taxes, we would also advocate instead for more systemic property tax reform as opposed to injections of funding into the Property Tax Credit Program. In the handout, you can see how the Property Tax Credit Program has compared to real property taxes levied over the past ten years and that it does little to offset the reliance on property taxes. On another handout, you can see how increasing the Property Tax Credit Program to \$275 million will not substantially offset an individual's property tax bill. For instance, a residential couple in York has a home valued at \$114,000 and pays approximately \$1,376 in property taxes. Under the current Property Tax Credit Program, they receive a \$99 credit. With LB303, the credit amount would increase by \$23 to \$122. The increase in LB303 reduces property taxes by less than 2 percent so that the Property Tax Credit Program reduces their property tax bill by less than 9 percent in total. Additionally, a couple from Saunders County has ag land value at \$3.4 million and pays approximately \$50,000 in property taxes. Under the current Property Tax Credit Program, they would receive a credit of \$3,536. With LB303, this credit would increase by \$805 for a total of \$400-- \$4,341. Again, the increase is less than 2 percent and this reduces their property taxes by less than 9 percent. Every major study of Nebraska's taxes since 1962 has noted that our state's high-- has noted our state's high reliance on property taxes to fund schools. That reliance is largely a result of historically low state support for our schools. The number one property tax recommendation of the tax modernization committee was to increase the state aid commitment to schools to offset property tax use and reduce

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property taxes as a share of total state and local taxes. Taking a look at the preliminary Appropriations budget, we've just noticed that earlier today, if we're-- our quick math is right, the Appropriations preliminary budget is reducing TEEOSA from the Governor's initial request by \$38.5 million. So essentially what we're doing, they are funding-- fully funding the increase in the Property Tax Credit Program that is in this bill, but at the same time reducing our funding commitment to TEEOSA which is directly counter to the structural changes we believe we should be making. For this reason, we would support other proposals that would provide greater systemic property tax relief. Thank you for your time. I would be happy to answer questions.

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

**FRIESEN:** Thank you, Chairman Linehan. So when you-- if you take the Property Tax Credit Relief Fund and you, you put \$275 million into it and you create this floor. So ten years from now if you take the current distribution, you've just calculated that, ten years from now, how does that fund look then? Where does the money go?

**RENEE FRY:** Yeah, so if you take a look at the chart, right, so assuming that your property taxes continue to increase and your Property Tax Credit Fund stays stagnant, you're gonna keep having more disparity between the two.

**FRIESEN:** So as you have more new housing growth, things like that, it's gonna dilute the fund.

**RENEE FRY:** Right. So it actually-- if it stayed at \$275, that green line's actually gonna decline.

**FRIESEN:** Right, I'm assuming, I'm assuming that we, we stay at the floor or--

**RENEE FRY:** Right.

**FRIESEN:** -- and we hold it there. And that that fund stays stagnant at that number--

**RENEE FRY:** Right.

**FRIESEN:** --over the next ten years.

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**RENEE FRY:** So if it stays stagnant at that number, the percent of property taxes we're reducing is gonna decline.

**FRIESEN:** And property taxes will continue to go up at whatever rate they're going up. But eventually that distribution moves--

**RENEE FRY:** Right.

**FRIESEN:** --from where it's at currently, the--

**RENEE FRY:** Um-hum.

**FRIESEN:** --between the ag land so to speak and rumored residential, it, it-- would you say more of it over time shifts to the urban residential because of new construction, new commercial projects that come on line? Those valuations come up.

**RENEE FRY:** You know, it depends on economic cycles. I mean, right now you're starting to see ag land valuation decline,--

**FRIESEN:** Starting to go down.

**RENEE FRY:** --you're starting to see residential increase. So to the extent that that trend stays for the next ten years-- stays consistent for the next ten years, you would see that--

**FRIESEN:** There's, there's never really new ag land, but there's new construction and commercial and residential.

**RENEE FRY:** Right. I just-- you never know if there's gonna be--

**FRIESEN:** Right.

**RENEE FRY:** --a huge boon in, in agriculture and commodity prices go up and maybe you'd start seeing ag--

**FRIESEN:** Right, the value could increase,--

**RENEE FRY:** But, but if it stays--

**FRIESEN:** --but there's never more land.

**RENEE FRY:** --with the current trend it is now-- yeah, you would, you would see more and more of that Property Tax Credit Program going urban for sure.

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**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions? Could you just amplify what you said about the Appropriations budget that was released today?

**RENEE FRY:** Yes. So it reduces TEEOSA over the biennium by \$38.5 million from the Governor's initial budget.

**LINEHAN:** That's what I thought. OK. Other questions? Thank-- yes, Senator Groene.

**GROENE:** Just off the top of my head, somebody mentioned a billion dollars, like that's a lot of state aid, it really isn't. I mean, when you look at Kansas, 50 percent of their budget is K-12. But when you take 305,000 students, that's only \$3,200 and-- let's say, it's \$3,300 a student. Have you ever done a study what the state does per student on average spending?

**RENEE FRY:** Per pupil?

**GROENE:** The state, not the property taxpayer. I know when you throw in the property taxes, we're 13th or 14th in the nation.

**RENEE FRY:** No, we haven't, we haven't looked at that. We could do that.

**GROENE:** Would you do that?

**RENEE FRY:** Yeah, absolutely.

**GROENE:** Because I want to see how much our state steps forward per student [INAUDIBLE],--

**RENEE FRY:** Yeah, we can do that.

**GROENE:** --and I know it's not a very good study because there's 70,000 students don't get anything barely, and the other 230,000 get all of it if you're in an equalized district. But anyway, I'd like to see that number.

**RENEE FRY:** Sure, would be happy to.

**GROENE:** Thank you.

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**LINEHAN:** Thank you, Senator Groene. Senator Kolterman.

**KOLTERMAN:** Thank you, Senator Linehan. What-- I appreciate you being here. If you're gonna do that, don't, don't forget to include the \$50 million that we put into teacher retirement every year as a state. People never think about that, but we put \$50 million a year into teacher retirement above what the districts and what, what the local employees do.

**RENEE FRY:** OK.

**KOLTERMAN:** Thank you.

**RENEE FRY:** Sure.

**LINEHAN:** Thank you, Senator Kolterman.

**KOLTERMAN:** You're welcome.

**LINEHAN:** Senator Friesen.

**FRIESEN:** Thank you, Chairman Linehan. So when you talk about the cost per student in education, how do we compare total cost per student in K-12 to our surrounding states?

**RENEE FRY:** Oh, to surrounding states, I'm not sure. We are in the, the top half. I don't know that ranking number, we have it. I want to say we're-- I don't want to get it wrong,--

**FRIESEN:** OK.

**RENEE FRY:** --maybe about 16th. I think the, the biggest challenge that we have right now, and Legislative Fiscal Office did a really good report about it, is our migration patterns. And so what happens in terms of migration, and they've attributed per, per pupil cost to migration, so as we have students that are migrating to larger districts, right, larger cities, then you have Lincoln and Omaha have to add buildings, have to add teachers, and so their costs are going by inflation plus cost of enrollment growth. And then in the areas where the students are leaving, they still have to fund, they still have to have a roof, they still have to have teachers, and so their costs are going up by inflation. So we see that as a, as a challenge that probably isn't letting up anytime soon.

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**FRIESEN:** Ernie Goss did a study recently that I watched the presentation and he made the comment that Nebraska spends about \$360 million more than our surrounding states on K-12. That's why I was curious, that, that number really jumped out. But again, not knowing some of the things-- you know, I don't know how you arrived at that number. That's why I was curious as to-- you know, what we're spending per pupil-- total spending versus our neighboring states would be an interesting comparison.

**RENEE FRY:** Sure, we can take a look.

**FRIESEN:** Thank you.

**LINEHAN:** Thank you, Senator Friesen. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And thank you for your testimony. So you've been involved in some of the property tax relief proposals the last several years and you're aware of the other proposals or proposal you've worked on, and would it be your opinion that perhaps the Property Tax Credit Fund should be the vehicle to be used to achieve property tax relief instead of some of the more sophisticated proposals?

**RENEE FRY:** So I think at the end of the day we really need to move toward a more structural fix. Obviously, in your bill, LB314, Property Tax Credit Program ends up being a placeholder. If we can't-- I mean, it-- you know, there are lots of bills that have been introduced, many members of the committee have different bills, and I think that there are good components in all of those bills. I think it's important to do it right, though. Right? And so once all those pieces are put together, to step back and look at what the actual impact is going to be. If that means identifying the revenue that's raised, parking it in the Property Tax Credit Program for a couple of years to make sure that the distribution is right, we're fine with that. But we would like to make sure that we are headed toward a more structural fix rather than using the Property Tax Credit for infinity.

**BRIESE:** Why do we need a structural change?

**RENEE FRY:** No, again, the way we fund education, we're just-- we're really out of whack relative to the rest of the country. We're 48th in the percentage of K-12 that's funded by the state.

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**BRIESE:** And you don't think by ramping up dollars into the Property Tax Credit Fund, essentially a de facto increase in state aid education, that we accomplish-- don't accomplish what we're trying to accomplish?

**RENEE FRY:** I don't, I don't believe that it truly addresses-- I feel like it's more of a Band-Aid than-- you know, actually fixing the problem.

**BRIESE:** OK. OK. Thank you.

**LINEHAN:** Thank you, Senator Briese. Senator McCollister.

**McCOLLISTER:** Yeah. Thank you, Madam Chair. Instead of using the Property Tax Relief Fund for, for direct aid as we have done, would you suggest using-- incorporating a TEEOSA mechanism in there that would more properly balance education expense statewide?

**RENEE FRY:** Can you-- what do you mean by a more balanced education expense?

**McCOLLISTER:** By utilizing the TEEOSA fund in some way to redistribute state aid to education.

**RENEE FRY:** Yeah, absolutely. Yeah, so taking what's in the Property Tax Credit Program and redistributing it through TEEOSA with some of the components of the bills that have been introduced by various senators, is that what you're saying? Yes, absolutely, we would support that.

**McCOLLISTER:** And that would be some of the structural reform that you're speaking of.

**RENEE FRY:** Right. And, and-- I mean, that was what happened in the late 80s. They-- the Legislature at that time created a Property Tax Credit Fund to be used while-- because they were having the same conversations that we've been having for a long time before they created TEEOSA. And TEEOSA did work for a while until we started monkeying with it and then lost track of the initial intent. But it has been used as a placeholder before, and then those funds distributed out to schools. So yeah, we would absolutely support that.

**McCOLLISTER:** Yeah. Thanks, Miss Fry.

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**LINEHAN:** Other questions? Thank you, Senator McCollister. Other questions from the-- people are texting me numbers, but we're not gonna go there. When you do this calculation that Senator Groene's asked you for and then Senator Kolterman asked for it to ensure the retirement of \$50 million, we also need to include apportionment funding, 60 percent of the Property Tax Credit Fund, retirement-- you got retirement, and special ed funding, because we spend about \$450 million outside of TEEOSA supporting public K-12 education.

**RENEE FRY:** Yeah-- I mean, we can do a comprehensive look.

**LINEHAN:** Yeah.

**RENEE FRY:** But the Property Tax Credit Program, as I understand it, those only filling back in, it's not additional money for schools, it's filling in with-- you're not getting--

**LINEHAN:** No, but it's state money going to schools. I mean, it, it, it doesn't--

**RENEE FRY:** It's--

**LINEHAN:** You are-- we'll use you. You get your property tax statement, it's \$200 less, 60 percent of that \$200 still goes to the school. So it's state money that's filling--

**RENEE FRY:** Right, but it is compensating--

**LINEHAN:** --the schools aren't getting less.

**RENEE FRY:** --the schools for the money that they aren't getting from me.

**LINEHAN:** Right,--

**RENEE FRY:** Yeah.

**LINEHAN:** --but it's still state money going to the schools.

**RENEE FRY:** I think we disagree a little bit with about--

**LINEHAN:** Well, I don't, I don't-- how, how-- where do you think it goes?

**RENEE FRY:** It's still, it's still reimbursing for money that I would have otherwise paid. So ultimately, I'm the one who benefits from it,

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not the school districts. If it wasn't there, then I wouldn't get that money, but the school districts would get their money. It's just-- it's compensating, it's compensating me, the school doesn't come out ahead. I come out ahead.

**LINEHAN:** I think that would be a problem that you would have to address, and in looking at it, if you leave, whatever it is, \$140 million that the state's sending out to pay K-12 in the Property Tax Credit Fund, if that's not included in the-- all the money that we're sending to schools. I mean, I understand what you're saying, but it still ends up at the school. And--

**RENEE FRY:** But it's replacing income they would have already-- otherwise gotten from the taxpayer. But we can talk about it off-line later.

**LINEHAN:** Other questions from the committee? Thank you very much for being here.

**RENEE FRY:** Thank you.

**LINEHAN:** Other neutral?

**JOHN HANSEN:** Good afternoon, Madam Chairman, members of the Revenue Committee. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I appear before you today as our president and also our lobbyist. We are neutral. We are-- I would say, neutral in favor. But we-- our organization has looked for mechanisms. We've looked for structural fixes. We've looked for a lot of different kinds of things for a long time to try to get a better, more fair mix of income sales and property. And so the-- I, I hear what the, the folks are saying who do not support the Property Tax Credit Fund structure. But from an ag perspective, it's the only real life relief that we have gotten. It's-- for all its flaws, it's the better, most effective tool that's on the table. So we are in support of the use of putting more money in this fund. The reason we're neutral is we just don't think the number is big enough in order to get to where we're at so we get anywhere near back to the goals that we started out trying to pursue 30 years ago with LB1059. We tried to get to a more equitable mix of income sales and property, and so we haven't gotten there. So the, the good part is that this is an effort that, that changes the, the mix of the revenue streams, and so whether you are a homeowner, or whether you're a farmer and own farmland, or whether you're a business person, you're getting some relief across the board. And I think that while some can

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argue that's more or less fair, I think it's more or less good policy to do that. And I think the politics of that is, is that if you're in a position where you're representing agriculture in our economy, it's not, it's not in our interest to think that ag is going to just get what it wants and everybody else is on their own. We're all in this together as a state, and so all different property owners get relief. And so we thank Senator Lindstrom and the Governor for bringing this forward, and would end my testimony and answer any questions if I could.

**LINEHAN:** Thank you, Mr. Hansen. Are there questions from the committee? Senator Groene.

**GROENE:** Thank you, Chairman. John, I don't think anybody on this committee says the Property Tax Credit Fund is bad. We just don't want anybody to have a party-- a wine and cheese party and say we gave property tax relief and everybody goes home, because this isn't the entire answer and you know that also.

**JOHN HANSEN:** Right.

**GROENE:** But, but there are those who will say that if you throw another \$100 million in it and add it to the biennium, they'll say, well, you've got property tax relief, shut up. I'm not gonna shut up, and I don't think Senator Briese or Friesen is either, or Senator Linehan. That's the message we're trying to send here, but it really isn't a fair way to do it either because you've got districts, Elgin, 30 mill levy. You start raising this thing enough they're gonna start giving a, a credit back-- a payment back from the state. They're gonna get a bigger credit than what they pay. And then you've got-- I'll use the farmer in Schuyler because I grew up around there who's got a \$1.05 and it's not enough for him, the Property Tax Credit Fund. And it is shifting to the east again because of the new growth that Senator Friesen said and the valuations of ag land is going down. We've got growth in three counties in the east and we also have valuation increases. So if anybody looked at their property tax credit relief in ag-- this last year when it was at \$224 million and it is \$224 million because it's \$221 plus \$3 million they estimate of interest that's gathered on that while it's sitting in an account. But anyway, we all got less than we did the year before because it shifted. So I-- we're just saying it isn't the answer for the long haul, and I was hoping you would say that also.

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**JOHN HANSEN:** Yep, it's, it's an imperfect tool just better than any other tools we happened to have. And so-- you know, we, we begin the discussion about a more equitable way to fund K-12 education by, by starting out by saying, which I think Senator Groene, you've pretty much described, and that is that not all school districts are created equal, and so we don't have an equal number of kids. We don't have an equal amount of valuation behind them. And so we have wildly different kinds of districts where we have districts with lots of kids and not as much geographic area and/or valuation, and so they use more levy limit to, to meet their obligations, and we have the reverse. And so, yeah, there's a lot of inequities as you're trying to find a mechanism that, that works to everyone's advantage. And sure if we had our druthers, we'd have the structural fix. And when we get the structural fix, we'll be glad to give up the property tax relief.

**LINEHAN:** Yes. Thank you, Senator Groene. Senator Briese.

**BRIESE:** Thank you, Chairman Linehan. And thank you for your testimony here, Mr. Hansen. You know, we have a property tax crisis in the state, and I think it's fair to say that ag has borne the brunt of that crisis even though all Nebraskans need relief, but fair to say ag's borne the brunt of that crisis with the valuation increases?

**JOHN HANSEN:** Yeah, and--

**BRIESE:** OK.

**JOHN HANSEN:** --I, I own three different kinds of property, and so, yeah, there's no, there's no question that ag land valuations and ag land's nose bleeds first and worst.

**BRIESE:** Sure. And isn't it fair to say that the Property Tax Credit Fund from ag's perspective is a pretty darn desirable tool to try to help alleviate some of the concerns?

**JOHN HANSEN:** I would say, yes.

**BRIESE:** OK. Thank you.

**JOHN HANSEN:** Yep.

**LINEHAN:** Thank you, Senator Briese. Are there other questions from the committee? Seeing none, thank you very much, Mr. Hansen, for being here.

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**JOHN HANSEN:** Thank you.

**LINEHAN:** Are there any others wishing to testify in the neutral position? Seeing none, we have letters for the record from proponents: Bob Hallstrom, Nat-- excuse me, Nebraska Federation of Independent Business; Al Riskowski, from Martell; Larry Zimmerman, from Lincoln. Opponent: Colby Coash, Nebraska Association of School Boards; and neutral: none. Would you like to close?

**LINDSTROM:** Sure. Thank you, Madam Chair and members of the committee. Again, I'd like to thank Governor Ricketts for his commitment to providing property tax relief. I did-- Lauren Kintner did provide me a handout that you can look at a little bit more visual, so handed that out you can see where those dollars are going from the ag community and also the residential. And I don't disagree with Miss Curry in a lot of what she said. After next week, there's gonna be a lot of the tax proposals on the table, whether Senator Kolterman's Imagine, we have Senator Hilger's income tax and education funding and property tax, and we all know that property tax is probably the number one issue that we hear about, not only in the rural area, but in the residential area. And so I know that I've talked to Senator Ricketts-- or Senator Ricketts-- Governor Ricketts, he is definitely committed to, to providing property tax relief, relief and having those conversations with members of this committee. I do believe that this is a year in which we have a lot of opportunity to work together and get a lot of this done. So with that, again I want to thank Governor Ricketts, and would be happy to answer any questions that the committee has.

**LINEHAN:** Thank you, Senator Lindstrom. Are there any more questions from the committee? Thank you very much.

**LINDSTROM:** Thank you.

**LINEHAN:** With that, we draw the hearing on LB303 to a close.

**FRIESEN:** Next, we will open the hearing on LR8CA. Welcome, Chairman Linehan.

**LINEHAN:** Good afternoon, Revenue Committee, Vice Chairman Friesen. My name is Lou Ann Linehan, L-o-u capital A-n-n capital L-i-n-e-h-a-n. I'm here before you today to propose LR8CA, which proposes to cap property tax revenue of a political subdivision at 3 percent of the annual-- of the amount raised in the prior fiscal year. Property tax

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revenue is defined as revenue raised from a tax that is assessed annually on the value of real and personal property. The constitution-- constitutional amendment will allow a public subdivision to exceed the 3-- to exceed the 3 percent cap by a specific amount at a special election. The amount must be approved by the majority of legal voters. The increased property tax request would be for one fiscal year. The 3 percent cap will not apply to property tax requests to retire bonded indebtedness that has been approved according to law. So one of the things I've heard continually since being sworn in the Legislature is that we're keeping our cost at inflation. But there's a disconnect from what public entities believe inflation is, and the reality of inflation. So I'm sorry, I should have handed this out. So I've, I've looked at this before, but I'm gonna hand out the historical inflation rates from 1914 to 2019. But if you just look at the last page, the last page is actually blank, but the second to last page. It starts in 1988, which is the same time we were talking about property taxes in Nebraska 30 years ago in LB1059, and the battles that were supposedly won and then seem to have slipped away from ag producers. If you go down-- in 1988, we did have 4 percent inflation; '89, 4.8 percent inflation; '90-- and this is when they were writing the TEEOSA bill-- original bill, 5.4 percent inflation. So you see our inflation's were at 4 or 5 percent. But if you go down starting in the late 90s and then really significantly after the recession in 2008, we only had one year where we got above 3 percent in inflation and this is the number that the private sector has to live with. This is their inflation. So when you have private sector inflation as in 2009 when we had the Great Recession at minus four and in '10, 1.6; there's one year at 3.2. But if you look down, there's only one year in the last ten that we've been at 3 percent inflation. So when you're public sector is spinning at three and a half and your private sector is having to live within 1 percent or one and a half percent you get where we are today, you get a gap that the public sector has gotten far out in front of the private sector's ability to pay. So that's-- I-- we cannot fix property taxes without addressing the spending. And if the state's going to try to make an effort, and I think we all are kind of in the same place here, we're gonna try and get to where we're picking up 50 percent of K-12, now not in a day or in a year, it'll take some time. But if we get to that point, we can't do so without some tough spending caps or we'll be back here in less than 30 years with the same conversation. So with that, I'll take any questions.

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**FRIESEN:** Thank you, Chairman Linehan. Any questions from the committee? Is there any, any part of the bill here-- what if, what if inflation starts to ramp up-- you know, back in the 80s we-- in the 70s we had inflation running 4, 5, 6 percent. Is there any method other than a levy override?

**LINEHAN:** No.

**FRIESEN:** OK, just needed to know. Any other questions? Senator Crawford.

**CRAWFORD:** All right, thank you. Thank you, Vice Chair Friesen. And thank you, Senator Linehan. I just wondered in areas of high growth like your own district and Sarpy County, the actual body grows more than 3 percent. So I think there has to be--

**LINEHAN:** I would, I would entertain,--

**CRAWFORD:** --some accommodation for annexation or growth in that way.

**LINEHAN:** --I would entertain the amendment for that, but I really think what we're trying to do here is focus people on the real issue, which is spending. In, in TEEOSA funding, and I had this conversation with people that are here in the audience today, we are spending today-- and there's plenty of good reasons, I'm not-- but just the reality of what we're-- I believe in looking at real numbers and real facts. So we spend a billion dollars more today on K-12 in real dollars than we did in 1990 when we passed the first LB1059. So that's a billion dollars in real spending, not adjusted for inflation, and we have no more kids than we had 30 years ago. So we have-- and it's not, it's not like people are-- Mr. Walsch, or is it Welsch, I don't know, Milford is here. If you look at his spending, there are schools out there that have managed to keep their spending down, his student spending per pupil is very low for the size of his school. There are other schools that kind of jump off the charts at you with their per pupil spending. And they generally have business people or ag people on the school boards, so there are ways to keep the spending down. And I just think we need-- if we're gonna step up to the plate and we're gonna pick up a large portion of funding for all schools, we also owe it to the taxpayers that we're taxing to help pay that bill to make sure that we've got control on the spending, which we did not do in 1990.

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**CRAWFORD:** Thank you.

**LINEHAN:** Um-hum. You're welcome.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? One concern-- I mean, when I look at this and I'm-- you know, everybody-- you might be a little surprised by the numbers, but would we be better off saying that you can allow growth at the Consumer Price Index plus something or--

**LINEHAN:** I would be, I would be surprised if we don't have some testifiers today that say it's too high.

**FRIESEN:** Because if, if I look here and I've, I've seen enough boards and I've watched what happens if you put a 3 percent cap they're always gonna have a 3 percent growth.

**LINEHAN:** Which means they'll outspend inflation.

**FRIESEN:** And so they'll, they'll exceed inflation again. So if, if we would say the CPI--

**LINEHAN:** Plus growth.

**FRIESEN:** --plus growth, now you've effectively maybe done something I guess.

**LINEHAN:** Well, at least we could slow down hopefully the spending-- public spending to where the private sector could catch up.

**FRIESEN:** OK. Thank you. Any other questions from the committee? Seeing none,--

**LINEHAN:** Thank you.

**FRIESEN:** --proponents? Welcome, Governor Ricketts.

**PETE RICKETTS:** Thank you, Vice Fair-- Vice Chair Friesen. I'd also like to thank Chairwoman Linehan and the members of the committee, and thank you Chairwoman Linehan for introducing LR8CA. My name is Pete Ricketts, P-e-t-e R-i-c-k-e-t-t-s. And I'm here to testify in favor of LR8CA. In fact, this is the fourth year in a row that I have been in front of this Revenue Committee testifying on property tax bills. And it has been a priority for my administration to address this, but it's also not a new problem. In fact for over 50 years, the Legislature has

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been dealing with property tax relief going back to the time when the citizens of the state revoked or discontinued the ability of the state to collect property taxes and then following that income and sales tax were replaced with it. And over those years, legislatures have tried to shift taxes, raise taxes. They've tried to put more money into education-- K-12 education, and none of it has really made long-term differences. The Legislature has also looked at expense controls with levy lids and looking at valuations. And what LR8CA does is look at how we can stop those taxes from going up and that's important because you can only have sustainable tax relief if you control how fast those taxes are going up. And at the end of the day, property taxpayers do not pay taxes in levy lids or valuations, they pay in dollars. And that's what LR8CA does, it addresses the dollars. Now why is that important? Well, if you look at over the last, say 37 years going back to 1980, property tax in the state have risen at about 5 percent a year. And you may say, well, that doesn't sound too bad except that if LR8CA was in place back in 1980 and you had limited that to 3 percent a year, you could roughly cut your property tax bill in half. That despite the state last year setting a record for \$2 billion in local aid and property tax relief, local taxing entities had raised \$4-- over \$4 million in property taxes. We have 20-- over 2,500 taxing entities in the state and literally thousands of people were involved in those taxing entities. And LR8CA would help get all those entities along the same line of thinking about how they're gonna constrain spending to make sure that taxes don't go up 3 percent a year or more. Now when we were looking at the solutions for how we address this, we thought about some priorities. One, we wanted to make sure that we were capping how fast those taxes go up. Two, we wanted to retain, retain that local control, and that's why there is a provision to be able to do the override. And three, we wanted to let the second house in our unique Unicameral system have a say in this. And that's the vote for the constitutional amendment. And we believe that this will help with regard to a key part of controlling how fast those taxes go up. Now we know that there's gonna be other solutions out there as well. And we certainly want to work with you all on those solutions to be able to do it whether we talk about some of the things before or whether it's the foundation aid or-- you know, looking at other sorts of reforms regarding valuation, and levies, and so forth. But LR8CA is a fundamental piece of how we control that increase in taxes which is ultimately the only way you're gonna get that sustainable tax relief is by controlling that. So with that, I'd be happy to take your questions.

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**FRIESEN:** Thank you, Governor Ricketts. Any questions from the committee? Senator Groene.

**GROENE:** I like the ideals, Governor, but I also see a problem. There's, there's a lot of entities out there, the individual from Milford, his testimony was accurate for his micro economy. That school district only spends \$9,500 per student, the 5 above and the 5 below average \$3,000 more than them. So you've got an exception there, or you've got a very good school board-- and does-- Milford has a great. But it's amazing how Milford has been able to do that.

**KOLTERMAN:** It's in my district.

**GROENE:** But anyway, it says a-- what's gonna stop every single entity to go to 3 percent the next year because it's 3 percent on top of last year's 3 percent the way it's written.

**PETE RICKETTS:** Yeah, I think that--

**GROENE:** Are you gonna take that away from the incentive to spend less than 3 percent?

**PETE RICKETTS:** Well, certainly I think that if-- when you see school districts like Milford it demonstrates that school districts and local taxing agencies can absolutely live with the 3 percent that we're proposing in this. And I think that it also highlights it if you look at over the last ten years here at the state level, if you look at both revenues and appropriations, it's been about 3 percent. I think road spending has been about 3.2 percent. So the level is absolutely reasonable to be able to, to live within there with regard to that. I think that this is a piece that will help constrain that growth of property taxes, but it's part of a package including the credence of the Property Tax Credit Relief Fund that we've had before that is the overall package and I said welcome other ideas with regard to how do we address it. Look this is hard, right? We all know it's hard. If it was easy, it would've been done before already. And it's multifaceted, and it's gonna require-- it's a situation we didn't get to in overnight, we're not gonna get out of it overnight. It's gonna be a multi-year process as well. So I think this is one aspect though with LR8CA--

**GROENE:** Um-hum.

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**PETE RICKETTS:** --that helps constrain how fast those taxes can go up so that some of the other things we're doing, like the Property Tax Credit Relief Fund, can make a difference.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? I don't see any other questions. [LAUGHTER]

**PETE RICKETTS:** All right, great.

**FRIESEN:** I'll be nice.

**PETE RICKETTS:** Great. Thank you very much.

**FRIESEN:** Thank you, Governor Ricketts.

**PETE RICKETTS:** All right. I'm happy to answer one, if you've got one, Senator Friesen.

**FRIESEN:** I, I can't help myself.

**PETE RICKETTS:** Go ahead, please.

**FRIESEN:** So I mean, we've talked a lot about the tax shift, and, and there has been a billion dollar tax shift on agriculture. How do we address that and address the big picture? I mean, when we've tried to do things here and that's been the problem is everyone wants property tax relief, but-- and this, this started before your administration, that shift came and it just happened and it saved the state a lot of money. But how do we get that back into perspective with any of the things that you've seen out there? What is the magic combination that helps bring that-- the ag land's problem back and yet somehow allows us to give property tax relief to everybody?

**PETE RICKETTS:** Yeah. Well, again, I think if you look at what we're doing with regard to the Property Tax Credit Relief Fund, we have proposed taking that up again in this budget cycle so it'd almost be doubled. So that's one of the aspects that helps address it. If you look at the bill that we had last year with regard to getting that 20 percent rebate on your property taxes, and it was done through the income tax code at that time. That was also the commitment to long-term tax relief. It was phased in over time so we can manage it within the budget, but it was a long-term commitment to that tax relief. And that-- those two things, if you look at the examples of

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that, again, you're paying for those with sales and income tax to be able to provide that property tax relief. So I think it's, I think it's actually addressing some of the things-- the ideas like that address that some of the things that you're talking about. But I think it's also important that we look at things like LR8CA, because that's part of how we keep the control on expenses. And I'll just go back to the 1990s-- you know, when we passed the TEEOSA school aid formula, and that first took effect in 1991, the state put \$313 million into that formula and that lasted 3 years before we're back at record high property taxes. Despite the state continuing to put money into that formula and putting another \$125 million in 1999 at 27 percent increase, by 2001 we had record high property taxes yet again. And that is because there was not that limitation on how fast those taxes can go up. LR8CA helps provide that key with regard to controlling how fast those taxes go up which is the key to sustainability. And with regard to some of the other questions that have come up on that-- you know, with regard to cities, for example, that are looking at acquiring a subdivision, well, you've got a base in both taxing entities. If a city requires a subdivision, you add those together and you've got the same base or an additive base to get to 3 percent. If you're looking at fast growing school districts, for example, they've got to go build buildings-- well, they should be asking for bond for that, they shouldn't be doing it out of cash flows, which means they're going to ask the voters for that. And that means that they can just, alongside with that, the money-- the, the vote of the people to get that bond, the vote of the people to override that 3 percent cap. So this has the flexibility to address some of those areas like high, high growing school districts or cities that want to do a subdivision. But it's important that we have that, that, that, that incentive to fis-- for fiscal discipline-- that controlling how fast property taxes go up because no matter how much we try to rebalance it out with additional dollars from the state, if you don't have that, that fiscal constraint, you're not gonna get that long-term sustainable tax relief.

**FRIESEN:** Well, I think what we've tried to accomplish though is we want spending lids in place so it is a dollar for dollar tax relief. Because I, I agree, if we just dump more money into the system it doesn't fix the problem. So I mean, I think spending caps along maybe with this 3 percent is, is where we need to go. But you know, my biggest complaint is always is how we fund K-12. I really don't complain about my county taxes or my NRD taxes, those are, those are very local issues. But the schools-- you know, we have a lot of

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unfunded mandates there. And right now, the state has no obligation in like 175 of our schools, and it doesn't seem fair that the state doesn't assume at least a portion of every kid out there and that's, that's where I think somehow we have to come up with a method of doing that.

**PETE RICKETTS:** Well, as I referenced earlier and with Senator Groene, we had had that conversation with regard to somehow seeing how every kid participate in that school-aid formula somehow as part of making that school aid coming from the state more fairly distributed across the state, because you're right, I think we've got 82 of 244 school districts right now receiving equalization money, which means the rest don't.

**FRIESEN:** Thank you, Governor Ricketts. Any other questions from the committee? Seeing none, thank you for your testimony.

**PETE RICKETTS:** Great. Thank you.

**FRIESEN:** Other proponents? Welcome, Commissioner Fulton.

**TONY FULTON:** Thank you, Vice Chairman Friesen, members of the committee. For the record, my name's Tony Fulton, T-o-n-y F-u-l-t-o-n, and I'm the Tax Commissioner testifying in support of LR8CA. The testimony is-- my testimony is contained in the handouts that you'll get. And for the record, I'll describe the handouts to you. Though, I think, I think they're fairly self-explanatory. We had our property assessment division put this together and what we've done is we have looked back for a decade to give an illustration of how property taxes levied have increased over the course of the past decade. And in the first graph, we have three curves. The first of which shows annualized growth in the change in value over the course of the past ten years of all the valuation of the land in Nebraska. Then we also show what the change in all property taxes levied has been over the course of the past ten years. And then we also provided a reference curve to show what it would have been or what 3 percent growth would look like. The second graph simply breaks out cities, counties and-- let's see, cities, counties, schools, and also community colleges to give you a sense of what those looked like over the past ten years. So you'll-- you, you get a lot of handouts, so I'll let you consume this handout. If there are any questions for now, I'd be glad to try to answer them.

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**FRIESEN:** Thank you, Commissioner Fulton. Are there any questions from the committee? Senator Groene.

**GROENE:** You didn't break one out by ag, commercial, and residential?

**TONY FULTON:** We could. We did not for this.

**GROENE:** It'd be nice to see that.

**TONY FULTON:** OK.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Any questions from the committee? So I, I, I-- kind of following up on that-- I mean, I, I, I see that the-- you know, the annualized growth basically is 5.9 percent in valuations. And when you look at ag land had 250 percent increase in valuations, and yet I think it goes back to when you look at the taxes, especially residential taxes have stayed relatively flat over the last ten years in ag land prices or that taxes have increased probably around 180 percent over those 10 years. And a graph detailing, I guess, where those property taxes come from would be,--

**TONY FULTON:** Sure.

**FRIESEN:** --would be more informative, I guess, than seeing a-- just one average.

**TONY FULTON:** Yeah, and we, we can provide those to you. We made-- we're making notes of those things that the committee is requesting, and I believe we actually have something like that put together. This is--

**FRIESEN:** I, I think I found things like that, but--

**TONY FULTON:** OK.

**FRIESEN:** Thank you. I don't see no other questions. Oh, Senator McCollister.

**MCCOLLISTER:** Yeah. Thank you, Senator Friesen. We talked about how farmland is valued based on the market. But if we change that formula to include some kind of value based on production-- include that on the, on the chart that you, you intend to provide the committee at some point if you would--

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**TONY FULTON:** OK.

**McCOLLISTER:** --if you have those, those, those numbers.

**TONY FULTON:** Yeah, we'll work on that. I don't if we have them now but that's something that we, we could put together. We need to take a look back anyway.

**McCOLLISTER:** Thank you.

**FRIESEN:** Thank you, Senator McCollister. Any other questions from the committee? Seeing none, thank you, Commissioner Fulton.

**COBY MACH:** Good afternoon. Thank you. My name is Coby Mach, C-o-b-y M-a-c-h, appearing on behalf of the Lincoln Independent Business Association supporting LR8CA. Our committee, as well as our board, deliberated on four main reasons to justify our support. Number one, the resolution recognizes that government bodies may need additional revenue each year. It allows local government bodies to increase their property tax asking up to 3 percent every year to account for growth. Thus, the resolution would support government and government expenditures while also protecting property owners from escalating property taxes especially during times of extreme swings in property tax valuations. Number two, the resolution does not restrict political subdivisions from increasing their budgets from other revenue sources. For example, a government body might receive additional revenue from sales tax, from wheel tax, occupation tax, fees, fines, state aid, Keno, federal aid, or grants. In fact, local budgets could still grow at 5 percent, 10 percent, or perhaps even more based on other revenue sources. Number three, the resolution only restricts spending from property tax revenue. We've been concerned that many legislative bills this year would not do anything to restrict the spending of property tax revenue at the local level. In order for any property tax reduction proposal to make a lasting impact, we believe it must rein in property tax spending at the local level where the property taxes are actually levied. And then number four, LR8CA allows citizens to decide if a 3 percent property tax asking increase is enough to fund local services. If citizens decide that 3 percent is not enough, local governments can take even more in property taxes if there is an affirmative vote of the people. And we would ask that you support LR8CA. Thank you.

**FRIESEN:** Thank you, Mr. Mach. Any questions from the committee? Is there a-- I mean, I wish we would of had these 3 percent caps in 20

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years ago. But again, holding down spending, do we need to-- I mean overall, I think all of us agree that our taxes are too high, whether they're sales tax, income tax, wheel tax. So there'll come a point when we have to control spending better, or is that still a local decision?

**COBY MACH:** It is a local decision, but this body has established that it does place caps on spending whether it's what cities can charge in cell phone taxes or levy lids. There, there are taxes that have caps in place that are already established. And this one allowing 3 percent, we, we think does place an appropriate lid. For example, Lincoln Public Schools, if we take a look at theirs in 2017-18, their property tax asking was up 9.3 percent. Well, that 9.3 percent now becomes the new floor. And, and so we, we think that this is a-- it would be an appropriate move for the Legislature to do this.

**FRIESEN:** So do you think that-- does this cap-- would this allow like Lincoln Public Schools to receive more TEEOSA state aid because their resources have been capped?

**COBY MACH:** I haven't studied what it would do to the TEEOSA formula. Senator Groene, I think is-- has been studying all of that and has become pretty expert in, in, in that area. So I, I cannot answer.

**FRIESEN:** OK. Thank you. Any other questions from the committee?  
Senator Groene.

**GROENE:** We'd have to change the TEEOSA formula on the yield-- local yield, but that wouldn't be a big-- we're already doing that in some of the other legislation we're, we're discussing. But the problem with the charts like this-- can I ask a question? Thank you. In charts like this, when you say that community colleges are up, but we got 7.78 percent-- well, if you're only-- if you had a, a \$100, and they're only \$5 of it and goes up to 7.78 percent, it isn't a lot of the total and that school would look a little better by saying their 4.38 percent. But when you're starting with their, their \$60 of it-- when you go and compound that by 4.38 percent, it just-- it increases, so [INAUDIBLE]. The smaller subdivisions going up a lot doesn't affect us near as much as the big piece of the pie going up.

**COBY MACH:** And, and, Senator, I'm at a disadvantage that I haven't seen the chart that is in front of you. But I, I think you're, I think you're exactly right. And when, when-- if, if we look at the last three budgets for, for the city of Lincoln, 2017-18 went up less than

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the 3 percent, it went up 2.8 percent. But then the following year, 2018-19 is up 4 percent, 2019-20 property tax asking is up 4.5 percent. Again, each time you go above that 3 percent, you're just now establishing a higher bottom-- a, a higher baseline.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Seeing no other questions, thank you, Mr. Mach.

**COBY MACH:** Thank you.

**DOUG OERTWICH:** Good afternoon, Mr. Vice Chair, members of the committee. My name's Doug Oertwich, D-o-u-g O-e-r-t-w-i-c-h. I am a farmer and a landowner in Stanton County, and I'm here to show support for LR8CA and thank Senator Linehan for bringing it forward for the Governor. I still believe, and I said earlier, we have to limit tax increases. And as a state, we're seriously getting in trouble and you all know that. A cap of 3 percent is something we must and should do. We're taxing ourselves out of prosperity. On a personal note, I can tell you when I first bought my first piece of land and farmland-- I come back 25 years ago, and 15 years ago, I finally get enough saved, I can make a purchase. And it was overwhelming, it was the greatest thing I think I could have accomplished, and now I worry about how I'm gonna keep paying my taxes. You know, there ain't much left in farming and the taxes keep going up. I, I think on mine-- Shane and I were talking what they've gone up, and it's substantial from \$300 up to something around \$4,000 in 10 years, so it's becoming a burden. And so when I talk to people and, and they say, you know, how do you really pay for all those? When you talk to somebody that comes from the city, they wonder how, how can you afford this? How do you-- can you keep this up and we can't? So I think on a collaboration, and I think I read it that Senator Linehan made the article in the Journal Star, was it's gonna be a collaboration. Senator McCollister hit on it, it if we can start a going on valuations on income produced, I have a piece of ground to bottom that's irrigated that will probably go up and I'll pay that because my yields are great. But I got a piece two miles away when you leave the Elkhorn River and I hit sand, my yield's about 120. So it's, it's-- if that one went down and the other one went up, I'm all for that because I think it's more of a fair tax on the land. So that's one way. And I think just to hold them at 3 percent-- if we've been going at 5 percent, we can hold them at 3. And I hate to think that they're all gonna have to raise at 3, because I don't think-- you know, and that comes back to some local control, do they really have

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to go at 3? Yeah, they probably will. But it still goes back to the local school boards, the local commissioners-- you know, to be accountable for what they're doing. So I think if we keep doing a collaboration on all these different things, we're gonna slowly get there. But we have to get started, and we have to keep moving forward. So thank you for your time on the committee. And if there's any questions, I'd be glad to take them.

**FRIESEN:** Thanks, Mr. Oertwich. Any questions from the committee? I have one. When you talked about the two different pieces of ground, the selling price, are those always the same?

**DOUG OERTWICH:** No, no.

**FRIESEN:** So there's an obvious difference in selling price?

**DOUG OERTWICH:** Yeah.

**FRIESEN:** So they're, they're valued a lot different I take it as far as--

**DOUG OERTWICH:** Somewhat-- not that much, because when I go back to look at land sales and we do that-- as the assessor does a comparable land sales, we've had some pieces of ground that two people wanted and they brought close to \$10,000 an acre and the real value is probably close to six. You know, today if I had to buy it, I don't know if I would pay six for it. So they got over inflated and I was trying to tell somebody that lived in the city that asked me, so how does that really work? I said, well, let me put it to you this way, if you bring home a Volkswagen, and you got a Volkswagen, and he brings home a Cadillac, you guys are all getting taxed for the Cadillac. Because it's three pieces of land, and, and when they do the last three comparable sales and everything in the county went up. So if we're at 3 percent, it's a start.

**FRIESEN:** I mean, I, I-- that's why I'm, I'm not seeing valuation should have changed, there should be different soil classifications that have a, a different value. But that's something [INAUDIBLE]--

**DOUG OERTWICH:** Yeah, there is some, but we don't-- you know, I, I think if we go back to income based, it's still better. You know, we, we-- when-- if you a buy piece of ground in Iowa, they do the classifications, and you know what the soil is in, in Nebraska, we're not that critical on that. So--

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**FRIESEN:** Some-- somebody explained to me how we should do it on a capitalization rate, basically a banker told me that on a business they loan about 8 times its earnings. On, on land, it was bringing 45 times its earnings right now and you shouldn't get a loan. But if you're gonna base on earnings, he just said you should use maybe a 10-- let's say, 10 times its earnings. And so if you do that, the rent and the taxes, which value ground for taxes is about \$2,000 an acre. I said, I'm all in.

**DOUG OERTWICH:** Yeah, and then I think you said it at one other hearing, or I heard you say it some other time, but if you do own a piece of ground and you're outside of where you live you don't get a vote on if it's a school bond or whatever comes up. So you know, that 3 percent, I think, still in that point it would help them down the road, too. So--

**FRIESEN:** OK. Thank you, Mr. Oertwich.

**DOUG OERTWICH:** Thank you.

**MICHEAL DWYER:** Good afternoon, Vice Chairman Friesen and members of the Revenue Committee. My name is Micheal Dwyer, M-i-c-h-e-a-l D-w-y-e-r, and I'm here to testify in support of our LR8CA, that would allow the people of Nebraska to decide about the future of spending in taxes. For over 35 years, I've operated a small business in Arlington, owned a home, served the community as a volunteer firefighter and EMT. And for 16 years, I was on the Planning Commission and 12 years on the school board and 2 as President. And I pay taxes, income taxes, property taxes, vehicle taxes, payroll taxes, sales tax, and sin taxes. I believe this background gives me a solid understanding and a broad perspective of taxes Nebraskans, particularly Nebraska businesses, pay. Collectively, they are too high. I am convinced that our Governor and so many across Nebraska-- as well as our Governor, and so many across Nebraska that we cannot achieve real property tax-- excuse me, tax relief-- broad tax relief without meaningful, fair restraints on local spending. I'm convinced that these restraints will only come with structural restrictions on spending, and I'm convinced that LR8CA will provide that. I know from being on public and private boards for most of my life, that local boards feel tremendous pressure to respond to a myriad of requests for services, programs, and facilities. Most of these requests are well-intentioned and packaged with laudable goals. And in most cases, these siren songs from local taxpayers often drown out the compassion with compassionate antidotes to the degree that objecting to these often seems pointless. Local

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boards will rightfully use the tools provided them to fund a budget including TEEOSA, special building funds, cash reserves, option students, and others to do what's best for students, citizens, the community, or the future. A consistent 3 percent statewide limit on spending at the local level provides a realistic and fair ceiling on spending. As a former school board member, I believe these limits are workable. The opportunity to override the limit, when necessary, provides reasonable flexibility, and truly-- when you truly need an increase. The taxpayers of Nebraska have been demanding property tax relief for over ten-plus years, and they're growing weary of the Legislature's inability to address this in any meaningful way. When I was young, I spent eight years in California, and remember well the ramifications of property-- or excuse me, Proposition 13. The weather in Nebraska, particularly this week, is different than California. However, the climate with respect to taxes and spending is similar to what it was then. I would remind the committee that LR8CA simply allows the people of Nebraska to have a vote. Please let us have that opportunity. Thank you for all you do, and I would welcome any questions.

**FRIESEN:** Thank you, Mr. Dwyer. Any questions from the committee? If you look back ten years ago--

**MICHEAL DWYER:** OK.

**FRIESEN:** --and we would have put this in place or had this in place 15 years ago, how do you think the tax situation would look right now?

**MICHEAL DWYER:** More stable. I think, as the Governor pointed out, that the compounding of budgets that we see in most every local district, local taxing entities would have been at least restricted to that 3 percent limit. I know in my case, I was praying, frankly, as I was coming up here that Senator Groene wasn't looking back at the Arlington School District's spending because I was guilty of the same thing that I pointed out. When kids are sitting in front of a school board, when teachers are sitting in front of the school board, it's very difficult at that local level to say, no. Some kind of structural impediment, like the 3 percent, would go a long way to helping us stay within those, those limits. To answer your question more directly, clearly, in our case we were at three and a half, four, four and a half. And I think at one year, 5 percent growth. At the time, it seemed like good reason. In hindsight, it wasn't in my opinion. With the benefit of hindsight, it wasn't, it wasn't realistic property tax.

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**FRIESEN:** So the schools, every-- all the hearings we've had, they come in telling us they've only increased their spending two to two and a half percent. Are you telling me that's not correct?

**MICHEAL DWYER:** No, I'm telling you that all I can speak for is my history in that district. I do know that there-- and I think this is no surprise to anybody else on the committee, there are pieces of the budget that are exempt from those, those typical figures that you increase. Clearly, the, the building fund and cash reserves [INAUDIBLE].

**FRIESEN:** Do you think the property tax shift onto your ag land would have happened regardless?

**MICHEAL DWYER:** I think it-- you know, I'm not-- I don't know that I'm good enough with math to speak specifically to that, but, but, in my opinion, the 3 percent that LR8CA offers would have restricted that. So I think the increase still would have been there. But-- I hope that answers your question.

**FRIESEN:** I'm, I'm-- I mean, what I'm getting at is, I think the shift would have happened regardless because even though their, their taxes only went up 3 percent, it didn't go up in the urban residential, but it kept climbing in the ag land, so the shift would have still happened to some, to some degree, maybe not to the extent that it did.

**MICHEAL DWYER:** And that I agree with.

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

**MICHEAL DWYER:** Thank you.

**FRIESEN:** Thank you.

**SHANE GRECKEL:** Committee members, thank you, again, for allowing me this opportunity to testify, this time on LR8CA. I'm Shane Greckel from Bloomfield, Nebraska, S-h-a-n-e G-r-e-c-k-e-l. Today, I want to throw a little bit of numbers at you, and then I want to do some, basically, home stories from where we're at while keeping it in with that three-minute window. Numbers, I usually bring down here to talk with, but they seem to fall on deaf ears for the past five years that we've talked about this. So I want to take out a piece of ag ground from [INAUDIBLE], 80 acres, and in 2006, if I look back on that one, I paid \$800 in property taxes. In 2017, I paid about \$3,400 on the same piece of ground. Nothing has changed on the ground, it's just been

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production ag land. That's \$2,600 that I had to come up with in order just to keep the ground. At this point, it's not owning ground, it's renting it from the government. We talk about control of spending in government a lot. That seems to be the theme today. Well, I have to control spending on my farm. I have to control spending and shut down other operations within my farm to come up with just this \$2,600 for this one piece of land. That's what I think government has to do today, we have to take a good long, hard look at what organizations that we either can: A) shut down, or take a cap off the top and roll back some spending in order to give that savings back to our ag producers. Again, this is Nebraska's number one business is agriculture. I want to transmit a little bit here into Knox County, if I look back in 2000, Knox County's property tax budget was about \$8.3 million. In 2018, we're seeing that is \$25.4 million. Again, ag land has not changed. It's still dirt. We're still farming it, but we've seen this massive run up because of how we, how we value our property tax-- or how we value our property. And I'll touch on that in a minute. But if constitution amendment eight-- or LR8CA would be in place from the math that I've done, if this would have been in place in 2000, instead of having \$25.4 million budget, we would've had a \$13.8 million budget instead on property tax effectively reducing our property taxes in half and we would not have this issue here today. Finally, I want to conclude with a few stories that I've heard when I was campaigning in the northern part of state from last year. Property taxes, as you all know, is a huge issue, and that's exactly what I heard up there as well. But for the first time ever, I have heard some stories that have just absolutely scared me from farmers and ranchers. You've seen them in the newspapers. Farmers and ranchers in that area no longer are talking about how can I produce more to pay my taxes? How do I get more cattle? How do I get more hired help to pay for this? No, they're talking about where do I move in South Dakota to go away so I can get away from these property taxes? Where do I go in Iowa in my area to get away from these property taxes? Senators, this is a domino effect if this happens. And I'll wrap this up very quickly. If we remove one or two or three families from a community, this is a spiral event that leads our community businesses out of business and to other states. I'd be happy to ask--answer any questions as I can after this. Thank you, again, for the time.

**FRIESEN:** Thank you, Mr. Greckel. Are there any questions from the committee? So when you mentioned your county, was that the, the county budget or your total taxes collected?

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**SHANE GRECKEL:** That was the county property tax.

**FRIESEN:** The-- for the county operating.

**SHANE GRECKEL:** Yes, county operating, yes.

**FRIESEN:** That just included property taxes, or did it include some extra money we sent them with roads funding?

**SHANE GRECKEL:** To me this looked like just property taxes.

**FRIESEN:** OK.

**SHANE GRECKEL:** I'd-- I would love to know the road budget because I don't see it out there.

**FRIESEN:** Well, and I'm--

**SHANE GRECKEL:** Yeah.

**FRIESEN:** --that's why I was curious. I mean, county's only access to money really they have is property taxes and then the roads funding that they get from the state. They're very limited in their access to different revenue compared to the city. And so I was curious-- you know, sometimes if, for instance, you got a special bridge project funding your county could have had that in their spending, too, that [INAUDIBLE].

**SHANE GRECKEL:** Yeah, and I see your point on that one. I tried to look at specifically property taxes because that was kind of what we're encompassing here today,--

**FRIESEN:** OK.

**SHANE GRECKEL:** --this 3 percent cap growth.

**FRIESEN:** Right.

**SHANE GRECKEL:** Road funding kind of ebbs and flows depending on-- you know, political and legislative needs out of that.

**FRIESEN:** Right. Thank you. Any other questions from the committee? Senator Groene.

**GROENE:** We all seen these huge property tax increases local government's funding Where's it going? I mean, when you go into South

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Dakota, do they have the nicest pickups, and the schools are the nicest buildings or where's it going?

**SHANE GRECKEL:** They definitely have better roads.

**GROENE:** I mean,--

**SHANE GRECKEL:** I cross the bridge up there--

**GROENE:** --I'm still trying to figure out where it's being spent on. Wages? Benefits? I don't know. But one point I wanted to make, I keep hearing public schools only increased by 3.some percent. But I did a spreadsheet a couple of years ago where we took TEEOSA from 93, from 93 to 16. And we went from TEEOSA and, and property taxes went from one point billion fifty two million to 2.9 billion. And if you factored in population growth plus U.S. inflation rate, we should have been at 2.1 billion. So how did we get to 2.9 billion, when we should have been at 2.1 if you took population plus inflation? I'm, I'm still trying to figure out how they keep claiming they didn't raise spending in public education.

**SHANE GRECKEL:** Yeah, I agree on some of that. Again, I, I keep looking back on property taxes should always be off-- based off the production base of it, and-- you know, going to the spending.

**GROENE:** And that two factors were just TEEOSA and property taxes.

**SHANE GRECKEL:** Um-hum.

**GROENE:** The General Fund, that's not including since that time we threw \$220 million into, into special education and as Senator Kolterman said another \$45 million into helping out the retirement fund. I'm just trying to figure out what, what they're adding up and what I'm adding up it's different here. So anyway, somebody is spending a lot of money.

**SHANE GRECKEL:** Well, it is and I appreciate the challenges that you guys are willing to take on with this job. You're looking at from a multifaceted approach. I'm just sitting here as a farmer saying my piece of the pie we have to make it lower so we're, one, competitive with other states around us. And two, that the economic engine that is driving Nebraska that we can keep operating up there. But again, like I said, I appreciate your reference of looking at all these--

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**GROENE:** Paraphrase a famous quote from a South Carolina senator:  
There's too much government consuming going on here.

**SHANE GRECKEL:** Totally agree.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the  
committee? What kind of time frame should we be under for buying  
property tax relief before we do damage that can't be undone?

**SHANE GRECKEL:** I feel that we're right at a precipice for that time  
frame right now, Senator. I think some damage has been done-- you  
know, to kind of quote some of the markets they always look at  
technical damage on market's going up and down, and I think we've done  
that technical damage already with farmers and ranchers. We  
disenfranchised a bunch of young generational farmers maybe not to buy  
land here to go into agri business that serves the interest elsewhere.  
What I am concerned is, if we keep losing farmers and ranchers to  
other states or we keep selling them out so they go to work in town,  
we are consolidating the power of farms larger and larger until we may  
have a monopolistic atmosphere here to where that in turn hurts our  
local entities and hurts our local agri businesses and out leverages  
our government. Here again, that might be looking a little doomsday  
too far down the road, but I think it's certainly a possibility that  
needs to be considered.

**FRIESEN:** One thing is, if you move out somebody will farm that ground.

**SHANE GRECKEL:** Absolutely.

**FRIESEN:** It doesn't go idle.

**SHANE GRECKEL:** Um-hum.

**FRIESEN:** Thank you for your testimony.

**SHANE GRECKEL:** Thank you, again.

**FRIESEN:** Welcome.

**ROY CHRISTENSEN:** Vice Chair Friesen, members of the committee, my name  
is Roy Christensen, R-o-y C-h-r-i-s-t-e-n-s-e-n. I serve on the  
Lincoln City Council and work as an audiologist in private practice  
here in Lincoln. I'm appearing today representing myself to testify in  
favor of LR8CA. I want to thank Senator Linehan and Governor Ricketts  
for bringing this measure. The state has been trying to get its arms

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around property taxes for some time. And while the Legislature has made many good faith efforts over the years, locally-- local property taxes continue to grow without limit. I'm here today to encourage you to approve LR8CA and give Nebraskans a chance to vote on a structural property tax reform. This is one of the keys to handling our property taxes in the state of Nebraska. As I said, I sit on the City Council of Lincoln, our tax rate makes up about 16 percent of the property taxes paid in Lincoln. Even if the city of Lincoln is responsible and keeps its taxes down, we still need our school district, the county, and numerous other local units of government to move in the right-- in the same direction if we are going to give people in Lincoln a tax relief. LR8CA helps give taxpayers certainty. It gives them a maximum number they can plan for and expect. Right now, when they get their tax bill they may get a surprise in the mail, maybe Lancaster County increases the valuation significantly this year, maybe Southeast Community College significantly raises their levy based on a failed bond levy. There are a lot of decision makers who have input on property tax bills and these decisions are not coordinated. LR8CA will limit tax bills and consequently limit surprises. This also enhances local control, local control isn't just about the people who are sitting on the boards of local government, it's about the people we represent. People in the property tax relief conversation often say, taxpayers should show up to budget meetings if they really care about getting relief. For most Nebraskans, they don't have the time to show up to the numerous budget meetings for their school, city, county, and so forth. With LR8CA, the people can vote to override the 3 percent cap if they believe local government needs additional resources. Now I understand there are a lot of pieces that need-- needed to reform and provide relief in the area of property taxes. But if the state of Nebraska won't cap tax increases, taxpayers can continue to expect surprises in their mailbox every year. I urge you to advance to the floor for consideration and for the full body then to the people of Lincoln, Nebraska-- of the whole state of Nebraska to vote on this. In conclusion, I feel strongly that elected officials can rarely go wrong by trusting the people. We can support our Unicameral system by respecting the second legislative branch and give the final decision to voters. Thank you for your time, and I'm happy to answer any questions from my point of view.

**FRIESEN:** Thank you, Mr. Christensen. Evidently, some of us need your services, we're hard of hearing up here. Are there any questions from the committee? So are, are you concerned at all in, in, in Lincoln here, for instance-- I mean, we talk about high taxes, so we cap

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property taxes, are you concerned that they just shifted to other taxes and keep spending more?

**ROY CHRISTENSEN:** No, because the citizens do have better checks and balances on the issues of other taxes, sales taxes, for example, fees, they have more direct control. Whereas, with property tax value-- property valuations, combination of that and the levy, most citizens I talk to feel helpless, enable of their ability to respond.

**FRIESEN:** Well, it's, it's-- I, I guess, I look at it from a nonresident of Lincoln, it's easy to take your sales taxes because 30 percent of your sales taxes come from-- and we, we-- somebody out-- outside. We know you appreciate it. So I, I guess from that aspect, it's easy to say that when you can shift it onto someone else, but yet those, those issues are still very local. So I'm--

**ROY CHRISTENSEN:** They are very local, and, and the city of Lincoln has its own set of issues regarding our budgeting process and how we allocate property tax funds. You'll recall that in 2016-- the 6 years I've been on the City Council, I've been in a majority for 2 years. And in 2016, I was in a majority, and we basically because we did not want to set the levy to increase the property taxes and the mayor sued the City Council. And no-- and he prevailed in court, and in no uncertain terms we were told to vote for a higher tax-- property tax levy or face contempt of court and go to jail or pay fines or both.

**FRIESEN:** Are, are you anywhere close to your 45 cent lid limit?

**ROY CHRISTENSEN:** No, we're not there. So the, the issue really is the city of Lincoln grows by about 3, and it should be one and a half percent a year, which means about 4,000 people a year right now. We're nowhere close to exceeding that 3 percent that's being proposed here. But this is an issue that is hurting a lot of people. In my business, personally, I see a lot of people every year who are retired who say, you know, I've had about enough and they move to a state with, with lower tax burdens. And it's not just for weather, because I've had several patients last year move to South Dakota, and they do certainly don't have a better weather than we do. But I lose people-- we are losing people, taxpayers, and these are generally people who are retirees and they have more resources financially they take with them than the average 30-year-old. And so we all lose across the state when retirees leave because of our tax burden.

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**FRIESEN:** I mean, there'd be a lot of communities would love to have your property tax levy because there are a lot of communities out there on that-- against that 45 cent limit because they don't have the ability to draw in sales tax like you guys and other forms of revenue. So I mean, it is--

**ROY CHRISTENSEN:** That's true.

**FRIESEN:** --that's very again across the state.

**ROY CHRISTENSEN:** Well, I can only speak for Lincoln.

**FRIESEN:** Yes. Senator Groene.

**GROENE:** Thank you, Vice Chair. When you said you're nowhere close to this, you're talking about your increase in your budget or your increase of your property tax asking?

**ROY CHRISTENSEN:** The, the budget. The budget is what this is about.

**GROENE:** But this is about your property tax asking.

**ROY CHRISTENSEN:** Right.

**GROENE:** Where you at on that?

**ROY CHRISTENSEN:** I can't recall right now exactly where we stand.

**GROENE:** So that could put a-- and what-- when you say your budget, there's all sorts of games to play and interlocal agreements, you've got this "jaypegged" with the county and that's not in your spending limits or your budgets when you say it's nowhere at 3 percent, is that in or out of which number you're talking about?

**ROY CHRISTENSEN:** That's with-- that's within the number. We're nowhere near that [INAUDIBLE]. It increases, like Mr. Mach pointed out, some years we've been below the 3 percent, other years we've been consistently above.

**GROENE:** We're talking about asking not-- your asking, not your budget, this is not a cap on your budget, this is on your property tax asking.

**ROY CHRISTENSEN:** Right.

**GROENE:** And you're not sure about that.

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**ROY CHRISTENSEN:** I'm not certain on that right now.

**GROENE:** All right. Thank you.

**FRIESEN:** Thank you, Senator Groene. Senator Briese.

**BRIESE:** Thank you, Chairman Friesen. Thank you for your testimony here today. You talked about the outmigration from Nebraska from our-- from your community because of the tax burden, some of that because of the property tax burden I assume?

**ROY CHRISTENSEN:** Much of it is because of property tax burden.

**BRIESE:** OK. Thank you.

**FRIESEN:** Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony.

**ROY CHRISTENSEN:** Thank you.

**JOE MURRAY:** Senator Friesen, members of the Revenue Committee, my name is Joe Murray, that's spelled J--o-e M-u-r-r-a-y. I'm here in support of LR8CA. The inscription above the main entrance to this building says, The salvation of the state is watchfulness in the citizen. We have been watching but we haven't been giving any salvation from this body or the local subdivisions of government from the high rate of property taxation. LR8CA will give the people a say in their own salvation if they vote to place this much needed cap on local government's ability to raise property taxes. All property taxes are levied and spent at the local level. Local government overspending is the primary cause of our high property taxes. It has been increasing by 5 percent per year on average since 1980. Reducing that rate of growth is vital to having real sustainable property tax relief. LR8CA will go a long ways toward solving the problem. I'm sure before this afternoon is over, we'll hear a lot of Henny Penny stories about the world coming to an end if we limit increases in property taxes. These sob stories are more than reasonable evidence to me is why we need to put this cap on their ability to tax and spend. Too many care more about their turf and power than they do about the taxpayers of this state. This contempt is especially directed to those of us in the private sector that certainly includes farmers and ranchers. It also shows their distrust in the people because LR8CA allows the voters to override the limits in case of legitimate need. This body needs to continue to show the fiscal prudence we have seen in the past few

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years versus the 50-year trend that saw real growth in state spending of 7 percent per year adjusted for inflation and population growth. You have recently reined in state spending. It is past time the same thing happens with local government. As Albert Einstein is thought to have said: Insanity is doing the same thing over and over again and expecting different results. Past shift and raise schemes have not worked to lower property taxes. Property tax credits by themselves are a proven failure. Taxpayers are not getting real relief when they write a bigger check to the County Treasurer every year. Tax credits can be part of the picture. However, without spending caps on local government, property taxes, and assessments, we will not solve this problem. LR8CA along with LB103 are much needed as part of the puzzle to solve our property tax problem. Passing LB483 to change ag land to production value is another piece to the solution. It is the people that pay property taxes that are suffering. I call on this committee and the Legislature to vote to put LR8CA on the ballot so the people can become stakeholders providing themselves property tax relief. Thank you. Are there any questions?

**FRIESEN:** Thank you, Mr. Murray. Any questions from the committee? Seeing none, thank you for your testimony.

**TANYA STORER:** Well, good afternoon, Vice Chair Friesen, members of the committee. My name is Tanya Storer, T-a-n-y-a, last name S-t-o-r-e-r. I didn't come today with very many prepared comments but some, some figures. I serve as the county commissioner in Cherry County. I-- yeah, that comes with a lot of other, a lot of other interesting stories, but I also-- my husband and I ranch, we're fourth generation ranchers, and so I understand the tax challenge from both sides of the issue. I served on a class 1 school board years ago when I was still wet behind the ears and, and new to, to the tax paying community. Cherry County, I'm gonna share a few, a few numbers with you just to illustrate what we've done on the county board. I am entering into my second term and over the last four years-- one, one year we actually reduced our tax ask by 21 percent. The first year it was a .56 percent increase. The third year .09, so virtually flat. Last year, we were slightly above 3 percent and it was because we had to absorb a additional pay period. We were restructuring how we were going from the first of the month-- or end of the month to the first of the month, so that should come back down next year. In comparison, while we've worked very diligently on the county board to keep our spending in check, as we all know here, our part of the tax bill that our taxpayers receive is only less than 20 percent. And so those other

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taxing entities when I went-- and Department of Revenue just pulled some quick numbers for Cherry County. Over the 10-year period, the county's growth for tax ask was .7 percent, so less than 1; fire districts was a little over 3; NRDs are 7; ESUs are over 6; community colleges, 6.71; and school districts, 4. The trend and, and the point, I guess, I want to make in, in sharing those numbers is not to point fingers or try and throw any of those entities under the bus, but the reality is that the, that the NRD, the ESU, and the community colleges, in particular, are multi-county-- most often a multi-county district. And so I am, I am historically, absolutely a local control advocate. I still believe-- you know, my support of, of this constitutional amendment does not change that in any way. And in fact, I think this brings more transparency to local control for that reason. So when you have those multi-county districts, it's not local control and, and the, the three districts for our area at least that are, that are the multi-county are the ones that are abusing the tax ask the most. There's, there's a similar trend on a state level. So by putting a 3 percent cap, I think we provide some certainty in allowing for that override of the people is true transparency and true local control.

**FRIESEN:** Thank you, Miss Storer. Any questions from the committee?  
Senator Groene.

**GROENE:** I think I found your problem, why don't you run for the school board. [LAUGHTER]

**TANYA STORER:** No thank you.

**GROENE:** The Valentine Community Schools with 562 students average \$15,725 a student. The five above you is at about \$12,500. And somebody that's Palmyra that's the lowest five below you is only \$10,000 so they should be inefficient, you have a problem with your school.

**TANYA STORER:** I'm not gonna argue with you. You know, part of, part of the challenge I would point out, we are a very sparsely populated community. And so-- you know, that does, that does come with some challenges but that's certainly not an excuse.

**GROENE:** And Boone Central is even more sparsely than you, and there one above you, and they're only, they're \$800 less than you are-- 900

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bucks less than you are. So I don't-- don't listen to that as an excuse from your superintendent.

**TANYA STORER:** Which I, I agree, Senator Groene, and that's where a 3 percent cap overall is going to provide that accountability across the board. Everybody has to play by the same rules.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? As a county commissioner, do you feel that some of those taxing entities will start to pad their budget a little bit knowing that they need to use the full 3 percent down the road? You said one year, you were above that 3 percent. Do you feel that having that cap in place will force you to do things that you wouldn't have otherwise done?

**TANYA STORER:** My personal opinion, no, I do not. And when I look at what the, the increase, all of those other districts were above 3 percent consistently, so they're gonna have to decrease their budget.

**FRIESEN:** OK. Thank you. Seeing no other questions-- oh, Senator Briese.

**BRIESE:** Thank you, Vice Chairman Friesen. And thanks for your testimony. You mentioned earlier, you're a strong local control advocate. You know, there's talk in this body, and this committee, in particular, and in the Education Committee about injecting more state dollars into education, changing how we pay for education, trying to reduce reliance on property taxes. Does that give you any reason to pause or as you consider the impact that might have on local control or--

**TANYA STORER:** That's, that's been discussed for several years. I've been coming to testify before the Education Committee for probably 20 years off and on, on, on the issue of property taxes in particular. And absolutely, it's an issue of consideration. But I think you have to weigh out-- you know, the, the what-- you get something, you give something a little bit, right?

**BRIESE:** Yeah.

**TANYA STORER:** And the issue with how our schools are funded, quite frankly, is an issue of, of equity and where the, where the burden is

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and-- you know, you've heard the adage that the three-legged stool is--

**BRIESE:** Sure.

**TANYA STORER:** --broke.

**BRIESE:** Yeah, I'm, I'm willing to take my chances on local control, and I assume you are to the way it sounds.

**TANYA STORER:** Yeah.

**BRIESE:** OK. Thank you.

**FRIESEN:** Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony.

**TANYA STORER:** Thank you.

**FRIESEN:** Welcome.

**JESSICA SHELBURN:** Thank you. Good afternoon, committee members. My name is Jessica Shelburn, J-e-s-s-i-c-a S-h-e-l-b-u-r-n. I'm the state director for Americans for Prosperity here in Nebraska, and I'm here today in support of LR8CA. AFP is committed to working with the citizens of Nebraska and our elected officials to reform and cap property taxes in our state. Our state and political subdivisions began levying property taxes in 1867. We have over 30 types of political subdivisions, many of which have tax-- levy taxes. This problem did not happen overnight and we cannot expect to resolve it overnight. According to the Tax Foundation, Nebraska has the 12th highest property taxes in the country, not something that we should be proud of. LR8CA would amend our state constitution by limiting the property tax increases to 3 percent a year, a sensible and reasonable approach. For far too many years, we have kicked the can down the road. That needs to stop and we need to take action. LR8CA is a measured, reasonable and sensible step in the right direction to addressing our property tax woes. It recognizes that reducing growth of government spending is the best way for us to reduce property taxes. Raising or shifting taxes is not the answer to providing long-term relief for our property taxes. It does not increase our sales taxes or other taxes in the name of relief. It would be placed on the ballot for the voters to decide, our second house. It does not reduce local control. In fact, it allows them to better plan just like Roy Christensen said. He said that it allows our taxpayers to better

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plan on what they're going to have to pay, but it also allows our local entities to plan because they're going to have a better idea of what they will have available. If the local government opts to override the limit, they must ask the people for that approval. Again, increasing the transparency. Some will argue that this will hamstring our local entities. Again, I would tell you it will incre-- it, it will force them to do what most Nebraskans do in their homes. They will have to plan and they will have to prioritize spending. We cannot expect Nebraska to grow and to keep our young people or even our retirees here in the state if we continue to let these issues go unaddressed. It is not easy and there is no doubt in my mind that most people will find issue with anything that this committee sends forward. But I urge you to look at the big picture and keep our taxpayers in mind as you move forward. Give the people the opportunity to decide if a 3 percent cap on property taxes is a step in the right direction. On behalf of AFP Nebraska, I would urge you to advance LR8CA and keep our local spending under control.

**FRIESEN:** Thank you, Miss Shelburn. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Friesen. Thank you for your testimony. And I agree it's a step in the right direction. But, but the discussion here and-- really, really kind of highlights the difficulty in designing a perfect system, doesn't it?

**JESSICA SHELburn:** Um-hum. It does.

**BRIESE:** Because it doesn't account for influx of other money or loss of other revenue. For example, in a school district that's 50 percent funded by property taxes, if they-- if their state aid stays constant this is essentially a one and half percent spending cap. But I think as Senator-- or excuse me, as Coby Mach pointed out, if they have an influx of other revenue it could be a-- it could have a 5 to 10 percent budget increase. And so somebody suggested earlier to 3 percent cap-- spending cap, and it's not that, is it?

**JESSICA SHELburn:** No, it, it limits the growth in the property tax asking,

**BRIESE:** Yeah.

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**JESSICA SHELBURN:** --which in a way will have a limit on what the local entities have available for their spending.

**BRIESE:** Sure. If you could alter this proposal in anyway, how-- what would you do to it, anything?

**JESSICA SHELBURN:** Well, I think that there are, are several bills out there and I think the committee members, in talking with several of you, there is an idea that it will be a mixture of several bills that move forward. And like you just stated, LR8CA is not the perfect solution, it's a step in the right direction. We have to find a way to address education funding,--

**BRIESE:** OK.

**JESSICA SHELBURN:** --and that's a big part of our problem in Nebraska. And until we can find a way to address that, everything that we're doing is just little steps.

**BRIESE:** OK. Very good, thank you.

**FRIESEN:** Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for your testimony.

**JESSICA SHELBURN:** Thank you.

**FREDERIC OLTJENBRUNS:** Good afternoon, everybody.

**FRIESEN:** Welcome.

**FREDERIC OLTJENBRUNS:** My name is Frederic Oltjenbruns, formerly of Ceresco, Nebraska, and now currently Warrensburg, Missouri, on the Blackwater.

**FRIESEN:** Could you spell, spell your name.

**FREDERIC OLTJENBRUNS:** F-r-e-d-e-r-i-c, last name O-l-t-j-e-n-b-r-u-n-s, and my family is here to support LR8CA. My son and I traveled a long way to talk to you guys and I hope it does some good. We are the, the face of what happens when property taxes are so high that your farm operation can't make a profit anymore. We farmed in Nebraska for 150 years. The last 50, we farmed at Ceresco. We farmed a 1,000 acres, and we were grain producers, no livestock. And of that thousand acres, 585 we owned. And in 19-- or no, 20-- 2017, our, our property taxes were \$50,000. Dryland, terraced hill country,

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reasonably nondescript. In point of fact, Lancaster County made more money off of my farm than I did. Now consider that that same year we generated half a million dollars in revenue and according to, I guess, my tax people and the county, I'm supposed to be worth \$6 million, although you couldn't prove it by me. I haven't seen it. But we weren't making any money. According to our banker, I was one of his best customers. We were doing everything right. We weren't spending excessively. We were very good at marketing, and still we were just keeping our heads above water. I don't farm to break even and I don't like to subsist. I want to prosper. And there was a time in this state where we could do that. But we had done research on property taxes in other states, and we finally started looking for ground elsewhere and we were fortunate enough to find a large tract of land at Warrensburg, Missouri, river bottom, topsoil two-feet thick, annual rainfall 40 to 44 inches. As a result, we do not require irrigation. God does it for us. We bought the land down there, sold our land at Ceresco, and moved our entire operation 300 miles, which was no small feat and we got moved in just in time to skid into planting season. The property taxes on that 855 acres, of what I consider agricultural paradise, \$1,143.50 in 2018. That same year, I produced 70-plus bushel beans and 250 bushel corn. So I hate to leave Nebraska, but--

**FRIESEN:** I'm gonna, I'm gonna shut you off there, but I'm gonna ask you to just go ahead and continue with your story.

**FREDERIC OLTJENBRUNS:** OK. We've lived here all our life. It's a-- excuse me. I've got family buried here. I was born here. My son and my daughter were born here, and we feel like refugees. We [INAUDIBLE] out. We could not make a profit. We were barely hanging on. I'm not a politician. I'm a farmer, so I can't rattle off all of the facts and figures that you guys have. But I know this much, if every year you spend more in taxes than you did the year before, in my world by God that's a property tax increase. And there comes a point where you feel like you're being pushed off a cliff. And if all of you people change your mind tomorrow and say, oh, my bad, we're sorry, we'll, we'll fix this, once you're pushed off the cliff, you free fall until you hit the bottom of the ravine, you can't call us back. My son is in his early thirties. He's not only a farmer, he's a journeyman electrician. You've lost him. My daughter graduated from the University of Nebraska, and she now works in Missouri. Our whole family migrated, and the only thing I can say is, I guess, it's a good thing we're part viking because we seem to be pretty good at invading foreign lands. But I came here for you guys because you need to see the human aspect

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of what happens when you overtax. I'm not saying you should pile on to the urban brothers and sisters that I know. All I'm saying is, you need to find a way to balance the load evenly across everybody. And right now, ag, whether you're talking farmers or ranchers, we are sustaining a disproportionate amount of the taxes. I don't have a good answer. I think the Governor has gone to a huge amount of effort to try and open the door and at least start the healing. But it's too late for us, we're gone and I regret it. I hate to leave my state, but we didn't feel we had a choice. We didn't see any options left. We could have stayed, and we could have kept on fighting the good fight until we probably would've gone broke. But I have a responsibility to my family to keep us solvent and give us the opportunity of prospering, and the only way we saw left was to move. So I apologize to all of you for having to leave Nebraska, but I don't know what else to say except I hope you guys can straighten this mess out before it goes through maybe a few of us to a landslide of farmers fleeing like refugees to other states. Don't let that happen, fix this damn mess.

**FRIESEN:** We've been hearing more and more of that and I appreciate your testimony. You know, you're a-- you are an average size firm in Nebraska,--

**FREDERIC OLTJENBRUNS:** Um-hum.

**FRIESEN:** --and so the majority are right where you're at.

**FREDERIC OLTJENBRUNS:** And the sad thing is we weren't being stupid about it. Our banker complimented us as being one of his most solid customers. I'm not a genius, but my wife might fall in that category, she's the chief farm business manager for our operation. She's the one that actually found the land in Missouri. And she's also the one that found out what average property taxes were in surrounding states. And you know, give or take, it averaged somewhere to the tune of \$24 an acre, whether you were talking about the Dakotas, Minnesota, Iowa, Kansas, Oklahoma, Missouri, give or take a little bit, but right around \$20 to \$24 an acre. Our land in Ceresco in 2017, was hitting right at \$100 an acre. So even though everybody that farms is suffering with low commodity prices and high input costs, based on our property taxes at Ceresco, which isn't even irrigated ground, we were already five times higher than all of the surrounding states. Now again, I'm being abstract. I'm not coming out with the exact figures for each state. Forgive me. Like I said, I'm not an economist or a politician but, but there you go.

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**FRIESEN:** Do you have any idea how Missouri funds their schools?

**FREDERIC OLTJENBRUNS:** No, we haven't been there long enough, and, of course, my kids are already out of school.

**FRIESEN:** OK.

**FREDERIC OLTJENBRUNS:** But from what I understand they're getting educated, and we do have more paved roads than you do. Although, I would take issue with how narrow they are, and I don't think they ever made one that was straight. [LAUGHTER] It makes coyote hunting difficult down there. We're used to hunting up by Touhy where everything was on a grid and a mile was a mile was a mile. Down there, Missouri roads just kind of happen. One minute you're beep bopping along and everything is great, and the next thing you know, oh, we're gonna do a 90 and we're not gonna tell you, whoo.

**FRIESEN:** Thank, thank you for your testimony. Any questions from the committee? Senator Groene.

**GROENE:** But signs are expensive.

**FREDERIC OLTJENBRUNS:** So is crashing your pickup.

**GROENE:** Well, but you pay more more taxes you're gonna get signs. I would do without them. Anyway, but somebody bought your land.

**FREDERIC OLTJENBRUNS:** Yes.

**GROENE:** And a premium price?

**FREDERIC OLTJENBRUNS:** No, it was already starting to slide some. We had one part of our farm operation-- the man that bought it really wanted it because it bordered up against his. I priced it below where I had wanted it to be, but I priced it high enough so that-- you know, we thought that's where it should be, what the market would bear at that time. But then when we didn't find buyers farther down the road for a couple other parcels, we had an auction, and much to our shock, ground that would have gone for \$8,000 an acre a couple of years earlier had slid down to somewhere around six. And we were told later by some friends of ours that our bankers are already withholding what used to be a liberal amount of money to purchase land because they're terrified that Nebraska is facing another 1983. And I was there, I saw it. It wasn't pretty.

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**GROENE:** Was it local farmers who bought the ground or investment?

**FREDERIC OLTJENBRUNS:** No, actually a couple of the pieces, one went to a developer and another one went to a, a bridge manufacturer from up north somewhere. And yeah, it's weird, my farm, my-- our-- the buildings, all of the work that we had gone to all those years, we built a really nice farm operation there, and it's now part of a bridge manufacturing company. So our farm is no longer a farm. But--

**GROENE:** So good point is developers and people who aren't farmers are driving up the price of ground, too.

**FREDERIC OLTJENBRUNS:** Actually, they're there to pick up the pieces. They're cleaning up the scraps. Because we had anticipated that even with the lower grain prices, we'd get somewhere around \$6,500 an acre for our ground. Some of it, we did over that, but some of it was-- you know, in the mid to upper fives, so.

**GROENE:** Thank you. Good advise, don't go to a county commissioner and ask for a sign, they'll raise your taxes.

**FREDERIC OLTJENBRUNS:** You know, down there I'd almost be willing to buy one for them.

**GROENE:** There you go.

**FREDERIC OLTJENBRUNS:** I mean, we were driving along one day, we were new to the territory down there, we had just moved in, and I'm just sailing along thinking like I would in Nebraska, and all of a sudden this road just did a 90 on us and there wasn't nothing, not even a reflector. The brakes on that truck work.

**FRIESEN:** Thank you, Senator Groene. Senator Briese.

**BRIESE:** Thank you, Chairman Friesen. And thank you for your testimony and thank you for your compelling testimony, much appreciated. I come from farm country, too. I farm. And there's a lot of pain in farm country,--

**FREDERIC OLTJENBRUNS:** Um-hum.

**BRIESE:** --and property taxes are added insult to the injury out there, and driving people out of business, taking people under. With that

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said, when you were in Nebraska your property taxes were they-- your highest line item expense per acre?

**FREDERIC OLTJENBRUNS:** No, our input costs were: seed, chemicals, fuel, fertilizer, machinery repairs, things like that. But right next to it-- it got to be kind of a contest to see who was gonna to win. Do we pay our banker and service our debt load so he doesn't foreclose or do we pay the county their property taxes--

**BRIESE:** Sure.

**FREDERIC OLTJENBRUNS:** --so they don't seize our land because we're in arrears on our taxes? Do we get to keep something to live on?

**BRIESE:** Um-hum.

**FREDERIC OLTJENBRUNS:** And it was one heck of a balancing act at the tail end because I have an obligation to my banker. If he loans me his money, I have to pay him back. It's a matter of honor. But when I see the money going out to the county-- you know, \$50,000 for nondescript ground-- I mean, good lord.

**BRIESE:** You're on a per acre basis, your property taxes were probably, were probably higher than your insurance, probably higher than your chemicals, probably higher than your fertilizer, probably higher than your feed-- seed.

**FREDERIC OLTJENBRUNS:** Um-hum. Oh, yeah.

**BRIESE:** That, that was my question.

**FREDERIC OLTJENBRUNS:** You see, I didn't take this move lightly. And if there would have been any hope that something positive was coming down the line, but ag-- you know, grain prices have been in the garbage can for four years and I can't control the Chicago Board of Trade, and I can't make my suppliers charge less for our input fees. But the property taxes-- you know, it wasn't that long ago Nebraska was like everybody else, we were paying \$20 an acre and everybody was happy, the kids were getting educated, and the roads-- well, yeah, there is the roads. But somewhere along the line, somewhere around 2008, taxes started going up and they started really going up,--

**BRIESE:** Sure.

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**FREDERIC OLTJENBRUNS:** --and I think the worst thing that happened to us was probably the drought of 2012 when all of a sudden grain prices went through the roof and for a brief moment we were actually making money. And I think some farmers started buying land because the attitude was, well, this is the only chance I'll ever have to buy that piece of property and it's for sale right now. And one of the other guys alluded to this, if, if somebody is stupid enough to pay \$10,000 an acre for ground that's only worth five, well, OK, you're an idiot. But don't penalize all your neighbors around you because he's an idiot, just go after him. I didn't have anything to do with it and I couldn't pay \$10,000 an acre for land. But the assessors as soon as somebody pays \$10,000 an acre then everybody for the next so many miles around-- oh, your, your land is now worth \$10,000 an acre, and your property taxes take off like a rocket. I like, I like the Governor's program here and I also like, I guess, it would be called LB483 that assesses the ground on its ability to produce, not what it's worth if some idiot over bids on his ground.

**BRIESE:** OK.

**FREDERIC OLTJENBRUNS:** I think we're the only state that assesses our property taxes on its value if you sell it. But consider how many farms have been in the same family for anywhere from four to seven generations? They don't want to sell. They don't want to move. They'd rather expand but, but they're being taxed as if they can't wait to liquidate their property.

**BRIESE:** Very true.

**FREDERIC OLTJENBRUNS:** And that's not the way the farmers operate that I know.

**BRIESE:** Same here. Thank you.

**FRIESEN:** Thank you, Senator Briese. Any other questions from the committee? Seeing none, thank you for traveling up here and testifying.

**FREDERIC OLTJENBRUNS:** It was worth the trip. I'm sorry, I had a little trouble there for a little bit, but-- and I'm supposed to be a man. You know that's-- moving out of your home state, that's, that's pretty radical stuff. And we did not take it lightly. And I wish you guys the best of luck in straightening this mess out. I don't envy you. And I

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know that you've got a heck of a job in front of you. But for God's sake, do your best, change this. It's a mess.

**FRIESEN:** Thank you.

**FREDERIC OLTJENBRUNS:** You betcha.

**CHRIS OLTJENBRUNS:** Thank you. I'm Chris Oltjenbruns, C-h-r-i-s O-l-t-j-e-n-b-r-u-n-s, also formerly of Ceresco, now Warrensburg, Missouri. You just heard from my dad, lost my home. I could look out the window and see back as far as I can remember. And I've been farming actively for 11 years. I cash rented some land over here just north of the airport and I was paying almost \$200 an acre in cash rent. And there's some years I broke even, some years I lost money, some years I made some money, but my landlord would pass along the property taxes onto me. And where I'm trying to put some money ahead to buy some land, it made it next to impossible. And I've been an electrician for 16 years to try and make ends meet, and we just couldn't do it anymore up here. I have nothing to gain to be here today or, or-- you know, nothing to lose either. We're here for our friends and for our neighbors, the people that are still stuck in this boat. And Dad's right, people are gonna start leaving in droves. I talked to a guy last night, he owns a construction company, but he's also a farmer. He'll be moving to Colorado probably in the next year or two and he's taking \$5 million with him. We took six. People are moving out. I know that somebody will be-- end up farming that land, but it's, it's just not happening for us, especially being this close to Lincoln. The way that we're taxed, where is if we're trying to sell the land rather on what it's able to produce, it's not fair. I, I can't get blood from a turnip. I wish I could. As far as the way that our taxes are spent, my high school's Raymond Central, they squandered money. It's a money vacuum, that needs to change. And by supporting LB or LR8CA, I think [INAUDIBLE], this would put a cap on it and, plus, it would give power to the people on, on ballot if they want to spend the extra money for taxes they can, but they have to make the-- the entities have to make their case for that. And I, I thank, Governor Ricketts, for thinking of us. We felt forgotten for a very long time. And Missouri is great, I like it down there. But, Senator Friesen, you've talked about how people will howl if you cut their hands off earlier today. I'd like to see maybe a few fingers, they can still get by. Everybody's tighten their belt. God knows we have. They need to do it, too. And this would force them to do it, and we won't be coming back. It's, it's not every day you move a farm, it's a very difficult

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thing to do. It took us almost a year to do it. I'm happy where I'm at, and hopefully I can spend the rest of my life, and my children can, too, in Missouri. But people are gonna be following what we've done here. People have already started to do it. It's happening. A farmer awhile back, he said that, that the young people are the disenfranchised generation. I'm 33, I am. And that's all I have to say. I'll answer any questions.

**FRIESEN:** Thank you, Chris. Any questions from the committee? Seeing none, thank you for your testimony.

**CHRIS OLTJENBRUNS:** Thank you.

**FRIESEN:** Any other proponents?

**SARAH CURRY:** Sarah Curry with the Platte Institute. S-a-r-a-h C-u-r-r-y. Thank you. We're here to testify in support of LR8CA. For property tax reform to deliver results for Nebraskans, additional property tax limitations have to be paired with any revenues raised by state and local governments. And we feel that this proposal is one potential option that can help slow the growth of property tax burdens moving forward. Fortunately, there are some good exceptions in this constitutional amendment that would prevent an arbitrary situation where political subdivisions could not pay their bills. Bonds are not included in the 3 percent tax revenue growth limitation and voter overrides are approved. Even without voter approval, there is no prohibition on the total revenue of a political subdivision growing at an annual rate of greater than 3 percent. In the case of school districts, for example, revenue sources like state aid, motor vehicle taxes, or fines are not included in this calculation. In cities, local option sales tax, occupation tax, and utility rates would also not be included. So I don't know why there would be a lot of opposition to this because there are so many other revenues that these entities have available to them. It should be enough to fund local government with the 3 percent property tax increase. We think that LR8CA would be complementary to LB103, Senator Linehan's bill, that the Legislature is currently on track to approve. It should also be acknowledged this policy is not the only property tax limitation that needs to be considered by the Legislature to Senator Briese's point. For example, our combined current levy rates are well over \$2 in many jurisdictions. And though this amendment would prevent the burden from growing at a fast pace, it won't reduce property taxes. Constitutional amendments have a long history in Nebraska policymaking and the polls that we've conducted at the Platte Institute show that Nebraskans are

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ready for the Legislature to advance more limitations on property taxing authority. However, there are limits to what constitutional amendments can achieve since they have to be relatively simple proposals for voters and there's always the risk that the constitutional amendment may fail when put to a vote. Even if this policy is sent to voters for their consideration at the end of 2020, there are many more reforms that the Legislature can adopt in the meantime. Overall, overall, LR8CA is a good starting point for the additional property tax limitations and avoids many of the unfair pitfalls of other property tax limitations. But it should be at the beginning and not the end of the property tax reform discussion of the Legislature if they want to reduce overall property tax burdens. And one thing, Senator Friesen, I just want to add at the end there you were talking about the growth when you look at this and you look at the impact don't use CPI because CPI is a basket of goods that consumers like you and I would consume goods and services, GDP includes all expenditures, so consumption of individuals, businesses, and governments which is a bigger overall picture because our local governments are consuming products that you and I as individuals would not.

**FRIESEN:** Thank you, Miss Curry. Any questions from the committee? So what you're saying instead of using the CPI, you use the gross domestic product growth?

**SARAH CURRY:** Yeah, gross domestic product, right. Because as-- like for example, a school district, they might consume concrete or they might consume steel, the CPI doesn't include that because that's just a basket of consumer goods. And so we want to look at the total because the growth that we're measuring includes government and business expenditures as well.

**FRIESEN:** How close does that fall with the Consumer Price Index?

**SARAH CURRY:** It doesn't grow as fast. There is, there is a difference there. The Bureau of Economic Analysis has both, because you use CPI for some measures. I prefer GDP deflator when I'm adjusting for inflation and I'm looking at government expenditures. I use CPI when I'm looking at individual expenditures because you have to adjust for inflation.

**FRIESEN:** OK. Thank you. Any other questions from the committee? Seeing none,--

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**SARAH CURRY:** Thank you.

**FRIESEN:** --thank you, Miss Curry. Other proponents? Seeing none, are there any opponents?

**DOUGLAS KINDIG:** Good afternoon, Senators. I'm Mayor Douglas Kindig, D-o-u-g-l-a-s K-i-n-d-i-g, for the United Cities of Sarpy County, which includes the cities of Bellevue, Gretna, Papillion, Springfield, and obviously La Vista, collectively representing over 90,000 residents of Sarpy County. I'm here today to voice our opposition to LR8CA. I've heard many discussions today about ag land and about school districts, school aid, state funding. I hope my testimony points out the consequences this bill will have on growing communities or communities that wish to grow. While we understand the need to resolve any-- or to address property tax issues, we believe that LR8CA is a one-size-fits-all anti-growth approach that will result in significant unintended consequences. The arbitrary cap created by LR8CA incorrectly assumes that some single percentage can effectively capture proper growth in local government caused each year into perpetuity. From 2017 to 2018 real property valuations across Nebraska increased by an average of 2.04 percent which, depending on the overall economy, is either slightly more or less than the rate of inflation that drives our cost of services. In high-growth regions such as Sarpy County, higher increases in total valuation are driven by development, redevelopment, and annexations. Those increases correlate directly with the costs of adding new infrastructures and the demand for services. When municipalities need the ability to manage growth in varying economic conditions our location in the fastest-growing county in the state challenges us daily to meet basic service demands. Limiting revenue growth not only hinders our ability to maintain the current service level and quality of public services, it will impede improvements and the expansion of basic services necessary for growth. When coupled with other restrictions already in place-- lid and levy limits-- the provisions of this bill will substantially impair our ability to grow and prosper. Our cities have invested heavily in developing the public infrastructure necessary for growth to occur. We also are responsible for its long-term maintenance and providing the required municipal services. The growth that we are experiencing is not only good for our communities, but also the state. Attracting businesses such as PayPal, Securities America, Facebook, Nebraska Crossing to just name a few. This has been done and, and possible for our investment in public infrastructure. The inability to capture the increase in valuation created through new construction

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and/or annexation prevents us from realizing a return on our prior investment. This leaves little motivation to pursue new initiatives of ultimately styling-- stifling growth. Hopefully I'm asked a question and continue with some other thoughts. But if not, I am happy to be here today, and I hope that I can answer some of your questions.

**FRIESEN:** Thank you, Mr. Kindig. Any questions from the committee?  
Senator Groene.

**GROENE:** You heard the farmers that moved to Missouri about their income. They basically don't make any money. When was the last time you didn't give your employees a raise?

**DOUGLAS KINDIG:** Been a number of years, Senator.

**GROENE:** And what's that average?

**DOUGLAS KINDIG:** I could get that for you. I can tell you that when we were fighting the high cost of medical care, when it was going up 16 to 25 percent, the gas price-- prices spiked from \$1.80 up to almost \$4, sir. We kept those raises to about 2 percent. Now, what else we've done in La Vista, because, you know, I hear an awful lot from the senators of how inefficient we're running our cities. And I hear how we hide and we aren't open to the public. And that's not true. That's not, that's not true at all. We are just as good taxpayers and as stewards of the money as, as anyone. That's the charge that I've been given, Senator. Now, here let me tell you this, that we used to do cities because of CIR. A lot of cities have longevity pay. So when that employee has been around 15, 20, 25 years, they get an automatic 3 to 5 percent. Doesn't matter if they're a good employee. What we've done is gone to a pay for performance in the city of La Vista, Senator Groene. We got rid, we got our employees, except for our police department, to let go of the longevity pay and they work as on their performance. Now, it may shock you that we averaged this year 3.67. Seems pretty high, doesn't it? But we got them to give rid of the longevity pay. So we are good stewards of our money. Now, have we ever had zero pay increase? Not during the time I've been there, sir.

**GROENE:** When, when you had 16 percent, 20 percent increases in health care benefits did you cut the benefits? Did you raise the deductibles?

**DOUGLAS KINDIG:** We did a number of things. Not only would we look for a new company, we looked at changing the program. We put money away into our cash reserve for a number of things, not just growth, not

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just to make sure that we have that money there to pay for future bills, but we self-insure. So not to pass that on to the employees all the time, Senator. We raised our deductible, which lowered our premium. But then because of our cash reserve we do help make up that higher deductible for our employees.

**GROENE:** So you didn't take benefits away?

**DOUGLAS KINDIG:** Not in that case.

**GROENE:** Where did the cash reserves generate from?

**DOUGLAS KINDIG:** Excuse me, sir?

**GROENE:** Where did the cash reserves generate from?

**DOUGLAS KINDIG:** Cash reserves generate from a number of things. From sales tax, property tax.

**GROENE:** From taxes.

**DOUGLAS KINDIG:** Efficient running of our city.

**GROENE:** So good, you can go to 3 percent then, can't you?

**DOUGLAS KINDIG:** Can I explain to you why that would be a detriment?

**GROENE:** Go ahead.

**DOUGLAS KINDIG:** La Vista is one of the fastest-growing cities in the state. Sarpy County is one of the fastest-growing counties in the state and will continue to be. Sixty percent of Sarpy County does not have sewer. We are working on that as we speak. So I expect us to be one of the fastest-growing counties for years. What we've done, Senator, and I think it's the correct way to run the finances in this city, is we have tried to hold our costs down but we've tried to plan for the future. We've tried to take our cash reserve and build that up to a point that we could pay as we go. Now, that's a novel idea. Instead of taking a loan and paying interest, we try to save some of that money so that we can pay as we go. The other reason that 3 percent doesn't work, and it was touched on a little bit by some of the other testifiers today, is that our cost of living is different than a consumer's cost of living. I've already mentioned the higher medical costs, which we have no control over. I've already mentioned the gasoline costs, the fuel costs, which we have no control over. We

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have no control over the commodities, the consultants that we use, the outside services that we, we hire companies to do in our city. We don't have control over them. What we do have control-- and we don't have control over salaries because of CIR, right? As we continue to grow we have taken money that we have saved, and some of that has come from property taxes above 3 percent, Senator. And with that money we have invested that back in the future. Maybe not this year, because sometimes you have to save for more than one year. And what we've done with that is we've invested in infrastructure, which has drawn PayPal to our community, a \$200 million hotel conference center, a Cabela's that was ready to move to Iowa. Well, La Vista came in, not state incentives. La Vista came in and we built them a parking lot, \$9 million.

**GROENE:** Did you TIF those, all of those?

**DOUGLAS KINDIG:** No. We're doing our first TIF project on 84th Street.

**GROENE:** Well, I would tell you this. It's a good thing they didn't send the mayor of Ralston or Bellevue here. Because I don't think-- if you did a good job, I would have loved to have those two guys sitting in there to see.

**DOUGLAS KINDIG:** You know what though, Senator? If you don't mind. In all respect. We get grouped together. You know what? Not every senator is like you. Not every senator is like some of the other colleagues, and I don't need to mention who some of those might be. You got me today, sir. I'm not hiding. I'm here to point out the negative consequences that a straight 3 percent cap could have on growing communities. I can give many examples of why this one-size-fit bill is not good for the growing communities.

**FRIESEN:** Thank you, Senator Groene. Any other questions for the committee? Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you, Mayor, for being here today. What portion do you think of your growth in spending is infrastructure growth and is investment growth?

**DOUGLAS KINDIG:** Excuse me. It's been a long afternoon. I can get you those figures, Senator. I will tell you that I'm a firm believer, I've heard it from the businesses that without our investment in the infrastructure, when we when we expanded Giles street to four lanes plus turn lanes, was a major factor that the hotel conference center

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came there, that PayPal came there, because our infrastructure was in place already, including sewers and utilities. These are the things that La Vista has done. And now we're dealing with a redevelopment issue on 84th Street. And again, it's, it's infrastructure, it's what we can provide. That's the incentive that we can do at the local level. I can get you those percentages of what we spent, but I can assure you that it was a major factor for those businesses coming to our, to our city.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? So we've, we talk a lot about growing our way into lowering taxes eventually. At what point-- you're growing fast.

**DOUGLAS KINDIG:** Uh-huh.

**FRIESEN:** Do you see a point in your future with enough growth that you'll start to be able to lower your taxes?

**DOUGLAS KINDIG:** Hope so. If not, the citizens shouldn't reelect me.

**FRIESEN:** No, I'm not--

**DOUGLAS KINDIG:** No. No.

**FRIESEN:** With growth though, I mean, do you see a point down the road when you can lower your--

**DOUGLAS KINDIG:** Without a doubt. And that was my, my point is that, if I didn't believe that, I shouldn't be in the office I'm in. So La Vista not only does a one and two-year budget, we look out five years. We've actually-- they're not very accurate, but we will look out 20 years. Because, and we do see-- our investment in 84th Street. Wal-Mart left, we lost a huge sales tax base. The other stores have now left since then. That was 11 years ago, 13 years ago that they announced that they were leaving. So we, we've projected out. We've, we're going to make investment in 84th Street, we're going to use TIF. If there's ever a project that deserves it, I think 84th Street does, Senator. We're also going to do some extra things as far as GBOT taxes, possibly even a restaurant tax to generate the revenue to make that development possible. Right? Now, the private developer is going to also invest well over \$200 million on a piece of property that was basically at \$10 million. That's why TIF can work in some cases. Here is what this bill will do to us, because it's already in the city

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limits. When, when we finally get done with TIF financing 15 years from now and that comes on our tax base, that single piece of property is going to be valued, let's say at \$300 million. La Vista's valuation today is 1.5. I can guarantee that \$300 million is going to be over the 3 percent cap. So because of our investment, because of the time that we put into it-- and bear in mind that to, to facilitate that investment we're also going to have to add staff, we're going to have to have extra police because of the influx of people, we're going to have to add pub, public works people to take care of roads. We're building a parking garage, we have to buy extra equipment to do that.

**FRIESEN:** OK. So at what point in time, I mean, do you have a deadline?

**DOUGLAS KINDIG:** Yes, I do.

**FRIESEN:** That's what I'm kind of curious. Are you looking at a 10-year return and when you can finally say we have grown, the revenue is going to exceed what we need and we'll be able to cut our taxes?

**DOUGLAS KINDIG:** Yep, unless you pass this bill.

**FRIESEN:** No, I'm--

**DOUGLAS KINDIG:** No. Because in 15 years when that \$300 million comes onto my tax rolls, I'm going to have to cut my mill levy back because of the 3 percent growth rate for that one year.

**FRIESEN:** OK. So in 15 years, when this hits?

**DOUGLAS KINDIG:** My goal would be that we can do that in 10 to 15 years because at that time we can collect the full impact of the property tax along with it will be a more stable development, which means sales tax dollars. Yes. My goal would be that we can cut taxes in the 10 to 15-year period.

**FRIESEN:** We'll all be past that point of caring. Thank you.

**DOUGLAS KINDIG:** No, we won't.

**FRIESEN:** Senator Groene.

**DOUGLAS KINDIG:** No, we won't, sir.

**FRIESEN:** Senator Groene.

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**DOUGLAS KINDIG:** If you don't mind--

**FRIESEN:** Senator Groene.

**GROENE:** Yeah, so you TIFfed it. You get the receipt? Are you bonding it? Are you bonding the improvements they, the widening of the streets and you're taking that property tax or did you give it to the developer?

**DOUGLAS KINDIG:** Well the TIF, the TIF money goes, a lot of that goes back to the developer. We are doing bonds, we'll do some on the widening of the streets and the infrastructure.

**GROENE:** That's--

**DOUGLAS KINDIG:** A lot of the TIF does go back to the developer as part of the incentive.

**GROENE:** The meaning of TIF was that you could take the schools' taxes. It's not your taxes. You're taking the schools' and the counties' that you would use it for tax purposes. It's tax dollars used for tax public services and, and infrastructure, not give it to the developer. That would make sense to me, because then you use tax dollars for tax purposes, not giving it, bribing the developer to come to La Vista. In 15 years those streets are going to be in, need repairs. You've already hired the police, you've already hired the firemen without that tax revenues. So in 15 years you're already set where you're going to be. You don't need that extra money. You've already put it in place. And then in 15 years the potholes show up, the streets need repaired, the curbs need repaired. Meanwhile, the way the system is supposed to work, you get the development, you take that new money with new infrastructure and you fix your old downtown and your old curbs. That's how the system is supposed to work. We are totally corrupt in the way TIF is being used.

**DOUGLAS KINDIG:** So, sir, if you don't mind, may I answer?

**GROENE:** Yes.

**DOUGLAS KINDIG:** So when Wal-Mart announced they were leaving actually 14 years ago, and then left about 11 years ago, we went everywhere to try to find a developer that would try to do something with that project. The property was owned by Stan Kroenke, he actually owns the L.A. Rams. Him and his family are worth about \$17.18 billion. You know who doesn't give a damn about La Vista? Stan Kroenke, right? So we put

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together a vision package. You know where that vision package came from, sir? The citizens. They told us they wanted a downtown area, they told us they wanted a park that their families could, could come to and enjoy the amenities. The only way we could put that together and the only way the development would work was TIF. I would guess that if we did nothing-- remember I said that that property was valued at \$10 million? Fifteen years from now it's going to be valued at \$10 million. Are we taking the schools' money to use for TIF? Yes, sir. Did I call Dr. Ripley and ask him about it? Yes, sir. Because you know what? In 15 years that property is going to be assessed at \$250 to \$300 million. That's no different than how I wish I ran my personal banking. I wish I could go without \$10 a year if I knew I was going to get \$1,500 starting in year 15 for the rest of my life.

**GROENE:** We've got a lot of people want to talk, but one last comment. If citizens wanted it, you can have a tax override. If this passes.

**DOUGLAS KINDIG:** What long-term planning can you do when you have to go and have a tax override on a yearly basis? Thank you for allowing me to speak today.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? Thank you Mr. Konig [PHONETIC]. Kindig. Any other?

**JACK MOLES:** Good afternoon, Senator Friesen and members of the Revenue Committee. My name is Jack Moles, J-a-c-k M-o-l-e-s, I am the executive director for the Nebraska Rural Community Schools Association, also referred to as NRCSA. On behalf of NRCSA I am also speaking for the Nebraska Council of School Administrators and the Nebraska State Education Association. I would like to speak in opposition to LR8CA. Well, LR8CA, if passed and then adopted by the voters, would certainly slow down possible property tax increases, it does nothing else to ensure that the needs of political subdivisions are met. For public school districts, our two big, biggest concerns with this resolution are: It would allow very little reaction to rising costs. And second, the election allowed for in the resolution is logistically problematic. There are many costs to a school district that are not totally in the district's control. Examples of this would be certificate, certificated staff salaries; rising costs of health insurance; and the meeting of demands of state and federal regulations. If a district has been frugal in its property tax request then it may find itself in a difficult spot of meeting its budgetary needs with the property tax limits at a time that it also may be experiencing other lost revenues. The second concern has to do with

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the logistical problems posed by the election allowed in the resolution. Now, in the scheme of things this isn't a big issue compared to property tax reduction, but it's still an issue that schools would have to deal with. As this resolution affects school districts, two key dates come into play. First is April 15, the date the districts must inform teaching staff if there is to be a reduction in force. After this date, districts pretty much know their certificated staffing needs for the next school year. It is hard to pinpoint the other date, though. That's the date on which state aid is certified to the school districts. It is hard to pinpoint this because the Unicameral has often had to move the date later in the session. And that's not a criticism of you, it's a fact of life, but it's something that schools do have to deal with. I'm beginning to run out of time, so you can read about the problems with the elections that are caused. In closing, though, I'd like to say that we agree that there is an issue with high property taxes. We also believe there are better avenues to address the issue that address school funding as well. Some of those have been proposed by some of you. And in closing, I would like to encourage the committee to not vote to advance LR or LB-- LR8CA. Thank you.

**FRIESEN:** Thank you, Mr. Moles. Any questions from the committee? Seeing none, thank you for your testimony. Welcome.

**LANNY BOSWELL:** Thank you, Vice Chairman Friesen, members of the Revenue Committee. My name is Lanny Boswell, L-a-n-n-y B-o-s-w-e-l-l. I'm a member of the Lincoln Public Schools Board of Education and past president of the Nebraska Association of School Boards. LPS and the Nebraska Association of School Boards offer this testimony in opposition to LR8CA. The constitutional amendment proposes to limit the property tax revenue growth to 3 percent greater than the amount raised in the prior fiscal year. The state aid formula is based on needs minus resources equals equalization aid. In the event the school district sees an increase in property valuation, future state equalization aid decreases. When state aid decreases, schools rely on property taxes to fill the gap. It is the system Nebraska currently uses for funding schools. LR8CA will result in volatile total revenue swings for school districts and dramatically impact our ability to educate students. We ask that you carefully review full multi-year modelling by the Nebraska Department of Education to truly understand how the proposed provisions will work and, more importantly, the impact on students throughout the state for years to come prior to

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considering any concepts that limit the tax request. Strong public schools are essential to a growing and thriving Nebraska. Thank you.

**FRIESEN:** Thank you, Mr. Boswell. Any questions from the committee? Seeing none, thank you for your testimony.

**STEVE LIKES:** Apparently I'm short.

**FRIESEN:** Welcome.

**STEVE LIKES:** Mr. Vice Chair, members of the committee, my name is Steve Likes, S-t-e-v-e L-i-k-e-s, I am with the Kutak Rock law firm in Omaha. And on behalf of the sanitary improvement districts we work with and the Eastern Nebraska Development Council, we're here to oppose LR8CA and to respectfully request that it be modified to exclude sanitary improvement districts from the definition of political subdivision. Some materials will be handed out that kind of outline the reasoning behind this, but and the deleterious effect that this 3 percent revenue increase would have on SIDs and growth in general. But I just wanted to quickly highlight for all of you that, you know, SIDs, sanitary improvement districts, are a unique creature throughout the country. They're specific to Nebraska in that they allow districts to provide necessary infrastructure in order for growth to develop in and around Nebraska's cities. All SIDs start with the same premise, which is a vacant and unimproved piece of land to which a city has not been willing to extend necessary infrastructure. In order for development to occur on these parts of land, someone has to provide the infrastructure. And that's where the SID steps in. Unlike a commercial development, such as an office tower or apartment building, you can't build-- where you can build a new one when you fill up with infrastructure. You've got to provide all of that upfront, which is expensive. But to do streets and roads and water and sewer and electric, that has to be done upfront. In order to pay for all that, the SIDs need revenue sources. That comes from the development that follows the implement-- implementation and installation of all of the various improvements. Over the typical life of a five-year SID's development, you go from having very little to zero taxable valuation in year one to having millions or tens of millions of dollars in year five. Under LR8CA, political subdivisions will be limited to 3 percent revenue growth each year. It's one thing when you're dealing with a city or a county that has an existing taxable base to figure out how they're going to deal with that. With an SID, where you start out with a valuation basically at zero in year one, and then try to do a 3 percent increase after that when your

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bonds and your maintenance are payable solely from property taxes, it's just going to stifle and stymie and chill both the creation of SIDs as well as development in and around Nebraska cities. So with that, we would respectfully request that either the amendment is opposed or that it be redefined so that sanitary improvement districts are carved out from the definition of a political subdivision. Thank you.

**FRIESEN:** Thank you. Any questions? Senator Groene.

**GROENE:** I'm sure you read the law, I mean, the resolution. Says the limitation in subsection (1) of this section shall not apply to the amount of property tax revenue needed to pay for the principal and interest of bonded indebtedness that has been approved according to law. Didn't you just say you're going to have a lot of bonded indebtedness?

**STEVE LIKES:** There-- a number of the improvements are paid from bonded indebtedness and from the bond fund, several are paid from the general fund. In addition, there's maintenance expenses that go along with these improvements. There are operating expenses in connection with an SID. None of that's payable from a, from a bond. The whole point of an SID development is that you want to have rapid growth in a short period of time in order to pay for the improvements. And that is only accomplishable when you can have a-- a level, a level tax levy that gets applied across an increasing valuation. And 3 percent growth just doesn't work.

**GROENE:** Well, you build these homes and then people move into it and then they become the tax-- people taxed, right?

**STEVE LIKES:** Correct.

**GROENE:** But they can vote to override the 3 percent every year, can't they?

**STEVE LIKES:** But that doesn't work early on, sir, in that-- the typical life of an SID development, the first couple of years you're putting in the infrastructure; the next couple of years you're filling out the lots, so that it really takes until year five. In general. There can be differences. Before you have enough folks there, in order to see-- those bills still come due early on and there wouldn't be anybody there really to--

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**GROENE:** Who is paying it then, if there's nobody there?

**STEVE LIKES:** Well, the way the statute works is it, before five-- warrants are payable over a five-year period because the thought is that at year five that's when you've got enough valuation to issue bonds and take out those warrants. Currently, the statute provides that until the valuation comes on board you issue new warrants to pay the existing warrants.

**GROENE:** So who's paying for it, the developer?

**STEVE LIKES:** Well, you issue a new warrant to pay for the existing warrant. Eventually those get taken out with bonds and that happens when the development is filled out.

**GROENE:** So the warrants are issued and nobody is paying on them before five years. They sit there collecting interest.

**STEVE LIKES:** In general, yes. If special, you know, if you've got some lots that have filled out, some of those special assessments will come in. Those will be used to retire some of the warrants, but it's not going to be sufficient to pay it all.

**GROENE:** So wouldn't it be a good idea if these people that come, that move into these new houses have an, have an opportunity to be part of that? Understand what their tax increases are going to be by maybe voting on it?

**STEVE LIKES:** Not when you have to put the infrastructure in first. It's just, it's, it's kind of a chicken and egg thing. It just isn't feasible. In this particular type of development, this particular type of growth, it doesn't work that way. And that's why we're requesting that an SID not be considered a political subdivision. It's not an existing city, it's not an existing county where a taxpayer moves in and has that ability to do that.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Senator Kolterman.

**KOLTERMAN:** So in-- you do a lot of work in SIDs, I know that for a fact. So when you put it in these SIDs, and let's say that they're surrounding Omaha, do you do that with the goal that Omaha is just going to annex you at some point in time?

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**STEVE LIKES:** Well, that, that is the goal, both from the SID's perspective and from the city's perspective. The city very much wants it to be a successful development, because for all the reasons that we've been hearing. Valuation increases are generally good, because you're able to spread the tax, taxes over a broader, broader tax base. It doesn't always happen immediately. Some developments fill out slower and the city, cities generally are prudent about not bringing in an SID that is not developing the way it should, because it's the city obviously has to provide all the services to those additional residents. And if the tax base isn't there it just, it doesn't balance out.

**KOLTERMAN:** It's a liability.

**STEVE LIKES:** Yeah. So, so no, there's always the goal that, that SID becomes part of the city.

**KOLTERMAN:** How many of these SIDs are there around in the Omaha area?

**STEVE LIKES:** In Douglas County we're up to almost 600; and in Sarpy County, it's around 350.

**KOLTERMAN:** SIDs?

**STEVE LIKES:** Yes. Not-- well, that have formed. Many, many of them have been annexed into the city. But in Douglas County it's been used almost 600 times; and Sarpy County, about 350. The alternate is that the city has to bring the infrastructure in, and they're not willing to do it. Understandably.

**FRIESEN:** Thank you, Senator Kolterman. Any other questions from the committee? So basically what you're saying is that an SID is a special place and just carve it out and be done with it?

**STEVE LIKES:** That's correct. Yes, please.

**FRIESEN:** Thank you. Seeing no other questions, thank you for your testimony. Welcome.

**SHERRY WOLF:** Good afternoon, Senator Friesen and members of the committee. My name is Sherry Wolf, S-h-e-r-r-y W-o-l-f, I'm the budget director for the city of Lincoln, and I'm here to testify in opposition to LR8CA. Lincoln has average population growth of about 3,700 citizens per year, or has over the past 10 years, and has grown by over 8 square miles. During this same time frame, the annual

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increase in property tax revenue has averaged 3.9 percent. And over the past five years the property tax valuation has averaged growth of 4.9 percent. The ability to utilize this growth is necessary to provide additional infrastructure, maintenance, and services to a growing population and service area. This amendment doesn't provide an exemption to accommodate growth that's beneficial to our communities and our state. It's also important for municipalities to maintain diversification of major revenue sources, especially those that have a large percent of their budgets funded through sales tax due to its sensitivity to fluctuations in the economy. Sales tax currently comprises about 39 percent of tax-funded revenues in Lincoln. So property tax and sales tax together generate 69 percent of our total tax revenues. All our other revenue sources combined fund less than one-third of the tax-funded budget. Requiring a vote of the people to increase property tax revenue more than 3 percent may result in core operating expenditures becoming vulnerable to variances in states-- in sales tax revenue, due to economic conditions, as well as increased costs for election expenses. Property taxes make up 30 percent of Lincoln's tax-funded revenues. The restricted funds lid already poses significant challenges in providing vital services in our growing city. Currently, 75 percent of Lincoln's tax-funded revenues are limited to 2.5 percent growth under the restricted funds lid. The tax rate of 31.6 cents per \$100 of valuation for Lincoln is 13 cents below the state levy limit of 45 cents. Local elected officials are also under constant pressure to limit property taxes. In addition, over 62 percent of the tax-funded budget consists of personnel costs. Personnel costs are largely determined by the comparability laws under the Court of Industrial Relations, further challenging cities to balance their budgets while personnel costs increase more than 3 percent per year. This constitutional amendment proposes to allow for property tax growth. About 56 percent of the tax-funded budget is public safety costs and the majority of these public safety budgets are for personnel costs. I urge the committee to oppose LR8CA and allow local governing bodies to manage revenues to meet the unique circumstances of the vast diversity of government entities across our state.

**FRIESEN:** Thank you, Ms. Wolf.

**SHERRY WOLF:** Thank you.

**FRIESEN:** Any questions from the committee? Senator Crawford.

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**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you, Ms. Wolf, for being here. Could you explain how the spending cap works and how you accommodate that?

**SHERRY WOLF:** It's very complicated. Can I explain how it works? Essentially, I guess, restricted funds, primarily sales tax, property tax, and state highway allocation funds are limited to 2.5 percent growth each year. There are some exemptions for things like interlocal agreements, capital improvement projects, bonded indebtedness. So it's a, it's a complicated formula each year to work your budget into the restricted funds lid and make sure that you're complying with all those requirements.

**CRAWFORD:** Does that keep your property tax at 2.9 percent-- that same rate, or does it--

**SHERRY WOLF:** Well, essentially, I mentioned earlier that our property tax rate has actually averaged 3.9 percent growth, and that is possible over the 2.5 percent due to some of the exemptions that are there. Local governing bodies can vote to exceed that limit by 1 percent. So we've used a variety of means over the years to accommodate that.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? Senator Groene.

**GROENE:** You misspoke when you said 3.9 percent on a rate. You were talking about revenues, right?

**SHERRY WOLF:** I was talking about dollars, correct.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. Seeing no other questions, thank you for your testimony.

**LARRY DIX:** Good afternoon, Senator Friesen, members of the committee. My name is Larry Dix, L-a-r-r-y D-i-x, I'm executive director of the Nebraska Association of County Officials, appearing today and testifying on behalf of NACO. And Douglas County has also asked me to testify on their behalf to expedite the hearing process. A couple of comments that I'll make. You've heard plenty of testimony for and against, and certainly we appreciate Senator Linehan bringing this. We

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appreciate the Governor bringing this and making us think about, OK, what what is the right amount? And I think some of that becomes a question for the committee. What is the right amount and is, is that amount something that should belong in the constitution? And I think when, when our board discussed this there was some serious discussion about does this belong in the constitution? When you've been around for as many years as I have, you have been able to see inflation fluctuate for many, many years. And when you place something like this in the constitution, it's pretty serious. And the fact to change it is very, very difficult to do. And if we're looking at local control we, we really want it-- I really ask the committee to take a good, hard, serious look at that: Is the constitution the right place for the cap? Senator Groene, you had mentioned early on, and our folks talked about does the 3 percent become the cap or does 3 percent become the floor? And do you start to see political subdivisions start to budget at a 3 percent rate and it just compounds year after year? Last year, I would tell you, we, we went, we examined the 93 counties. Took every one of them, figured out what budget increase they had. Divided by 93, it came out to be 2.34. Some years it's 2.34, were under the lid. Other years, things happen. Senator Groene, you'll have an example coming up in Lincoln County that I want to address, that may make it difficult to stay under that 3 percent. You heard other folks testify that said, OK, that's fine. Schools, cities, you can-- you've got some sales tax options, you've got some local option taxes, you've got some fees. Keep in mind, counties is pretty much property tax. By and, oh, by the way, if we want to increase a fee, we come back to this body and we have to get 25 votes. We have to get a Governor's signature in order to increase the fee. If we remember the marriage license debate, we also have 14 hours of debate probably to go through to increase a fee \$10. So from a county perspective, it's a little bit different. We truly think it really is a little bit different. My red light is on. I would also say we also have to think about throwing in unfunded mandates. If we're going to vote and take a vote of the people for a 3 percent cap, we need to take it to a vote of the people for every unfunded mandate that is, is pushed down on counties. I will be happy to answer any questions.

**FRIESEN:** Thank you, Mr. Dix. That was a good point. Any questions from the committee? Could you give us an example of North Platte?

**LARRY DIX:** OK. North Platte, and as I read it, Senator Groene--

**GROENE:** Lincoln County.

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**LARRY DIX:** --you had mentioned that it covers bonded indebtedness. And so I believe Lincoln County is looking at an expansion on the jail.

**GROENE:** Lincoln County.

**LARRY DIX:** Lincoln County, yeah. And so if we go through, we could take this to a vote of the people and we could expand the jail. Which I think is fine, and it probably should be done that way if there's not relatively enough money for, for to build that jail. Once that fill-- facility is increased, now I think Lincoln County has a problem. They have to staff it. And when you're talking about an expansion like a jail, Douglas County is looking at a juvenile justice center. When you go to staff it, know you look at some of these, at the tax asking, and you tack on 3 percent. I don't think you can do it. I don't think you can get there. So that's something that that's where the reality of something like this comes in. We got to be aware of those situations and the tying of the hands of local government when some of those things actually happen. Jails are a good example. I think if we had more facilities where we could house folks with mental illnesses, possibly at state levels, we wouldn't have to look to be expanding jails. But we don't have that situation right now. The state is in the same situation, they, they have got a tough balancing act on their budgets. So that's just an example I would ask the committee to take a look at.

**FRIESEN:** Thank you, Mr. Dix. Senator Crawford, do you still have a question?

**CRAWFORD:** No, that was my question. Thank you.

**FRIESEN:** Seeing no other questions, thank you for your testimony.

**MARTY BILEK:** Good afternoon, members of the Revenue Committee. My name is Marty Bilek, M-a-r-t-y B-i-l-e-k, I represent Omaha's mayor today. The city of Omaha opposes LR8 for two primary reasons. First, political subdivisions in the state of Nebraska would lose their hedge against inflation if revenue increases were capped at 3 percent. While it is true that inflation in Nebraska over the last year has been low, the city's general fund budget without regard to annexation has averaged 3.3 percent increase over the last 5 years. This growth is primarily due to contractual salary increases that are established during negotiations process that requires us to compare ourselves to comparable cities pursuant to Commission on Industrial Relations guidelines. The reality is the costs of city services will go up over

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time, and during times of higher inflation a 3 percent cap would force cities to reduce or eliminate essential city services. Secondly, cities use their ability to annex as a way to establish healthy growth. When cities annex, they also consolidate services under a single, more affordable city political subdivision where taxes are lower and services become more efficient. In Omaha, last year's annexation package alone resulted in a 3 percent revenue increase. However, this revenue was needed to pay debt service on the annexed areas and is not available to fund other city operations. If a 3 percent level was enacted, annexations would become a thing of the past. We all want the same thing: Lower property taxes, for sure. In Omaha, Mayor Stother has lowered the city's levy twice and will continue to look for ways for government to become more affordable. However, we feel LR8CA would compromise our ability to provide essential city services. Omaha's economy is important to Nebraska's well-being and we feel LR8 would jeopardize the city and the state's economic health. Thank you.

**FRIESEN:** Thank you. Any questions from the committee? Senator Groene.

**GROENE:** Thank you, sir. Wouldn't you interpret the total amount of property tax revenue raised by the political subdivision any fiscal year shall not be more than 3 percent greater than the amount raised in the prior fiscal year. Wouldn't you common sense say, the first time a judge or anybody seen that said, well, when you guys-- when you annexed Elkhorn and you, Omaha, you add those two because it was raised before. And then now it becomes your new--

**MARTY BILEK:** Base?

**GROENE:** Base. That's common sense to me.

**MARTY BILEK:** Well, so that's been discussed before. We had to contemplate that. But you could also argue that, well, Omaha looked at your last year's budget, increase it by 3 percent and now you're way over that.

**GROENE:** Not budget. Asking.

**MARTY BILEK:** Well, property tax. Revenues from property taxes.

**GROENE:** Because you said budget before, so did some other people. But we're talking about revenue from-- you can still raise your budget. You can still put more taxes on--

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**MARTY BILEK:** The thing is, if the legislative intent here is to allow for cities to annex, then why not just include that language so that it's-- so it is clear?

**GROENE:** Because we can take this, put it in the constitution, and then this body interprets it. What needs to be added, if it isn't here, like we did in most things, is said by interpreted and put into place by the Legislature. That would make sense, because of the constitutional-- TIF, for example, which it is a little too broad because that byline is in the constitution amendment. But, no, I would see-- I would read it that way. How much was raised prior? It's the combination of the two.

**MARTY BILEK:** But wouldn't you agree that it would be a subject to somebody's interpretation, and if they interpret it wrong then we would lose out?

**GROENE:** I wouldn't. But anyway, they, you know, it should be interpreted and put into place by, by the Legislature. That's usually put in the constitutional language, but anyway.

**FRIESEN:** Thank you Senator Groene. Any other questions? Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you, Mr. Bilek, for being here. Could you explain what you said when you said when you annex you don't have access to that revenue?

**MARTY BILEK:** Yes. In fact, I'm glad you asked that. Because some think that when we annex a subdivision everyone knows that we get the tax revenues from that subdivision. In other words, a subdivision has a value, we apply our levy to it, and there's additional revenue. And some feel like that's somewhat of a windfall and we can apply it anywhere we want in our, in our expenses, the city budget for that given year. But the thing is, is when you annex a subdivision, with that subdivision you also get the debt. So that revenue, that additional revenue not only goes to pay the debt service on those homes but it also is used to provide city services in those areas as well. So all of a sudden we've got to hire more police officers, we have to outsource additional folks to plow the streets, for example, fix the potholes. So what I'm saying is all the revenues we get from those political subdivision goes back into the political subdivisions

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and can't be used to subsidize any other aspect of our city operations.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Senator Groene.

**GROENE:** One more. I heard you say it, I heard another mayor-- a mayor say it. I've heard an administrator say, I've heard a representative of the school district say it, about the CIR. Our hands are tied. I introduced a bill two years ago, I didn't see any of you guys there testifying to, to change the CIR. You bring me a bill and you back it, the League of Municipalities, and I'll introduce it next year. But have a backbone to take on labor, maybe. And then I would listen a lot. Lot of us senators would.

**MARTY BILEK:** Well, it's more than just maybe in our case. Because just about every year at budget time we talk, amongst other things, we talk about salaries. And that's always, we always struggle with it. And part of the reason is, is we know we got to look hard at those comparables because if we don't, the CIR will. But that's what you're saying. If you don't like the CIR, if it has to be restructured, then maybe you should do something about it and--

**GROENE:** You did.

**MARTY BILEK:** --we're interested.

**GROENE:** You did it taken to the CIR on the police or the fire here recently, didn't you?

**MARTY BILEK:** Yes, we did. I don't remember what the outcome was though. But typically we all know it's not favorable to the cities or the government entity.

**GROENE:** But at least you tried. That's more than most public entities do.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee? Seeing none, thank you for your testimony.

**LYNN REX:** Senator Friesen, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today respectfully opposing LR8CA, and we would like to read just briefly a couple of sentences from March 2018

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editorial of The Omaha World-Herald. It says this: For the second year in a row, Site Selection magazine has found that the Cornhusker State had more economic development projects per capita than any other state. Nebraska's total for 2017 was 110 projects up from 110-- 101, pardon me, the year before. Omaha had 42 projects, putting it at number one; Lincoln with 27; and so forth. Our concern, and the concern of the League executive board when they voted Monday night to oppose this, was that not right away but over time this type of an effort would, would really impair the ability of Nebraska municipalities to grow. And we realize the University of Nebraska is an economic driver. Agriculture, huge, if not the biggest economic driver in the state. But so are municipalities. Your income taxes are generated predominantly where the people are. Those happen to come from municipalities, folks living in cities and villages. Where do businesses locate? Where does industry locate? In and around municipalities. Why? Because we have the infrastructure, and it takes public funds to make that happen. I've heard today, it was kind of interesting, that in fact some folks think that well, you know, there need-- we need to have some serious lids and levies in the state in Nebraska. In 1996, this committee reviewed what could be done. Senator Warner was the chair of this committee. And his view, prior to passage of LB1114 in 1996 was this: There are some areas of the state that didn't pay enough property taxes, some areas that pay too much. So in 1996 the Legislature passed LB1114. It put in a 45 cent plus 5 percent levy limit on municipalities, 45 cents per \$100 of valuation plus 5 cents with interlocal agreements. There are 117 second-class cities and villages in the state Nebraska today, 380 villages. Thirty first-class cities, Lincoln and Omaha. Every second-class city and village in the state of Nebraska in 1996 was above a \$1.05 per \$100 of valuation, which was their cap at that time, because of bond issues for firetrucks, this, that, whatever. Within two years, between 1996 and 1998, second-class cities and villages had to reduce down to 45 cents plus 5. First-class cities had 87.5 cents per \$100 of valuation in 1996, they had to reduce down to 45 cents plus 5. Most of them were not that impacted because of local option sales tax. In addition, Lincoln and Omaha of course were impacted by that. In 1996, the Legislature also passed LB299, which put in place a 2.5 percent lid on restricted funds, which was supposed to go away in 1998. That never happened. So we have this double lid. We've got a lid, a limit on the levy and we also have a lid on restricted funds. In addition, I just want to very briefly ask you to review again the 1987 Syracuse tax report, the 2013 Tax Modernization Committee report of this committee. And prior, previously in some testimony, I bored you with a couple of

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paragraphs from the executive summary on page 27 of the Tax Modernization Committee's study report which basically said to the Nebraska Legislature: The Syracuse report indicated to you what you needed to do-- I'll finish in one sentence here-- was to reduce basically. Basically help reduce property taxes by doing what every other state had done, and that is to help reimburse local governments for the tax base that was taken away by exemptions. And instead, the Nebraska Legislature with passage of LB383 in 2011 took away state aid to counties and cities. LR8CA, I think, is well-intended. We strongly oppose it because it would be in the constitution, we oppose it for all the reasons that have been stated thus far. I'm happy to answer any questions that you might have.

**FRIESEN:** Thank you, Ms. Rex. Senator McCollister.

**McCOLLISTER:** Thank you, Senator Friesen. Can you be more specific, the exemptions?

**LYNN REX:** Pardon me?

**McCOLLISTER:** Can you be more specific? You said exemptions.

**LYNN REX:** OK. So basically back in 2012, five-eighths of the exemption for property tax exemption for livestock, farm equipment, business inventory was exempted. The remaining three-eighths were exempted with passage of LB518 in 1977. At that time, the League hired the bureau, Bureau of Business Research at UNL, Senator, to say what was-- what really did that mean in terms of the loss of taxes for local governments across the state? And not the valuation, the actual loss of taxes when that took effect, was \$250 million.

**McCOLLISTER:** Sales taxes?

**LYNN REX:** No, property tax for livestock, farm equipment, business inventory. That's when that took effect. And, and I realize that that's been now changed somewhat. But the point is, at the time local governments were told we will have a dollar for dollar reimbursement for you. You do not need to worry. The new car dealers, the ag sector, everybody who was there saying: We've got to have these exemptions. And guess what you did? Surrounding states had them. Those are legitimate exemptions. But that being said, local governments were not reimbursed dollar for dollar with that. Then Governor Exon said, you know, \$70 million is about all we can afford, so that's all you get. And then our percentage of that for municipalities was \$17.9 million.

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For one or two years, we actually received that. And then that was totally eliminated with passage of LB383 in 2011. The municipal equalization fund, basically that is still there to a very limited amount. The municipal infrastructure redevelopment fund was totally limited and eliminated by the Legislature. So essentially what I'm trying to say to you is that, for those that are sitting in this room that don't think there are caps already on municipalities, they need to take time to perhaps go back and look at the laws in 1996. They are still in effect today. The levy limits have had a draconian impact on second-class cities and villages in particular, but also in all cities. And the lid on restricted funds. I will also tell you on the levy limit, if I may, that based on the 2018 levy limits there are 213 of the 529 municipalities in this state at the maximum 45 cents or higher. And of those, half of those cannot even raise the 2.5, to even spend the 2.5 percent on restricted funds that you would allow them to have under the lid on 2.5 percent.

**FRIESEN:** Senator Groene.

**GROENE:** Wasn't that the intent? These cities that were spending out of control, that we put a lid on them? All the public services are there. The police are there, the fire is there. But yet all these towns are giving away their tax base with TIF. So apparently they don't need their tax base, is that correct?

**LYNN REX:** Well, I would strongly disagree with you on that. Let me just suggest that when you look back and what happened between 1996 and 1998, Senator, there were some folks that said, wow, look at this consolidation. Guess what? Our smaller cities lost police departments. They're lucky if they can even afford to pay the contract now for the sheriff, to have the sheriff come in and do it. And I'm talking about the 380 villages, the smaller second-class cities. And frankly, most of them are not engaging in TIF at all, Senator. They're just not engaging in TIF. It's our large municipalities that are. And again, that is one of your largest economic engines in this state. If your municipalities cannot grow, you're not going to have jobs. If you're not going to have the increasing jobs, that's your income tax base too. So we have a play in that, we have a role in that. And so all we can say to you is that this is extremely important for cities and villages across the state and for you as state legislators to understand those connections. And again, I would--

**GROENE:** I have another question.

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**LYNN REX:** OK.

**GROENE:** You keep saying you don't get state aid anymore. But when you look at the percentage you get from the Property Tax Credit Fund and the homestead exemption, you get a lot more money now than you ever did with, with aid to local governments.

**LYNN REX:** Senator, and I think that Renee Fry earlier tried to address this issue on, I think, it was LB303, the Property Tax Credit Fund, we supported that. We support LB303, our board voted strong, strong support of that Monday night. We think that's an important step. Again, I think, I feel kind of bad when people are saying that's a Band-Aid. That's not a Band-Aid, that's a boatload of money to go into property taxes relief in the States.

**GROENE:** A big boatload goes to the municipalities.

**LYNN REX:** It does not. No, sir, it does not. And you and I had this discussion before. And, with all due respect, I really thought, oh my gosh, maybe, maybe--

**GROENE:** Every city doesn't get a check from the county?

**LYNN REX:** No, sir. No, sir. No, no. The, the way the property-- but it's important.

**GROENE:** You get a check.

**LYNN REX:** No, sir.

**GROENE:** Yes, you do.

**LYNN REX:** We do not. Well, I would disagree with you. I've gone back and checked--

**GROENE:** --a check.

**LYNN REX:** I have, because you and I had this discussion before, with all due respect. And, in fact, that's not what happens. The Property Tax Relief Credit Fund is not a check that goes to a city or a check that goes to a county. It is direct relief to me. And so I get that relief, but the city does not get a check.

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**GROENE:** The state sends a check to every county of their proportion. A county treasurer splits it up and gives it to each taxing authority with a check. You might want to double-check that.

**LYNN REX:** I did the last time.

**GROENE:** Same with the homestead exemption.

**LYNN REX:** A homestead exemption, a city does not get the homestead exemption. The individual gets that exemption, which is very important. I mean, that's all very important mix to all of this. But there's a huge distinction between are the funds going directly to the city, the county, the school, and other political subdivisions, and/or does that go for the individual. But the Property Tax Credit Fund is extremely important, and I would defer to committee council.

**GROENE:** I'll check into it and we will get some information.

**LYNN REX:** OK, thank you.

**GROENE:** Also, I keep hearing this about this economic development and how we rate number two. Is it because we got more projects or because we got less people? It's a seep--

**LYNN REX:** This is a big deal. I mean, I was really proud of that.

**GROENE:** We're not growing.

**LYNN REX:** I think, well, I disagree. I mean, what this basically says-- and I understand, I mean, we have a huge issue here with keeping people in the state, keeping our, our, our students and the folks that we pay to educate to stay in the state of Nebraska and be part of our work force. We have a huge issue with work force housing and other kinds of things. But Senator Groene, I mean, when the state of Nebraska ranks the top for economic development projects on a per capita basis in terms of what we're doing in the state, that's a big deal. That's a huge accomplishment. And that's because of DED, it's because of your cities, it's because a lot of partnerships. The chambers of commerce and everybody else that helps make that happen.

**FRIESEN:** Thank you, Senator Groene. Any other questions from the committee. Senator Briese.

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**BRIESE:** Thank you, Chairman Friesen. Thanks for your testimony. Earlier you mentioned about LB1114.

**LYNN REX:** Yes.

**BRIESE:** The limitation, or the levy limitation on cities prior to that was?

**LYNN REX:** Before LB1114 passed in 1996, for second-class cities and villages it was \$1.05 per \$100 of valuation. Every one of them, Senator, was at \$1.05 or higher and that's because of this very small base they have. First-class cities, and those are cities with a population of 5,000 and up, their limitation in 1996 was 87.5 cents per \$100 of valuation. And, quite frankly, most of the first-class cities were not impacted. They just weren't, because they weren't close to 87.5. But our smaller communities were the ones that really paid the high price for that. And then on the lid on restricted funds, the entities that really suffer from that, quite frankly, are the larger communities and then some of the very small communities. Of-- again, of the 529 cities and villages, we're dealing with 213 at the maximum levy limit right now. And half of those can't even raise the money to have the 2.5 percent that they could have for basic services. And we only have, basically, when you look at it, you know, maybe eight to 10 fire-- paid fire departments in the state of Nebraska. The rest are all volunteers and God bless them, because they're out there helping everybody on EMS and everything else. But in terms of law enforcement, we are looking at fewer and fewer law enforcement officers across the state. And I think one thing, too, that I would just underscore, is that it's easy-- and I put myself in this too-- until you get west of Grand Island and really see that sometimes it's easy to live in a bubble when you're thinking Omaha, you're thinking Lincoln, you're even thinking Seward, but you get past west of Grand Island and you start looking at some of these smaller entities and what they're doing to struggle to stay alive, these kinds of things matter.

**BRIESE:** Thank you.

**FRIESEN:** Thank you. Senator McCollister.

**McCOLLISTER:** Yeah. Ms. Rex, I'd appreciate a synopsis or a history of what you just spoke about. So if that's available, I'd appreciate receiving it.

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**LYNN REX:** I realize you must have insomnia and I'm happy to provide that to you.

**McCOLLISTER:** Thank you.

**LYNN REX:** You're welcome.

**FRIESEN:** You have no-- you have no idea what you asked for, Senator.

**LYNN REX:** It's so true. There are others that are groaning as we speak. And I don't mean Senator Groene, I mean literally groaning. But I'm happy to do that.

**FRIESEN:** Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you, Ms. Rex. There's a 2.5 percent restriction on-- 2.5 percent, 2.5 percent lid on restrict, restricted-- what, what kinds of funds are restricted?

**LYNN REX:** Yes. This is Chapter 13, Article V, the Nebraska Budget Act. It's a 2.5 percent lid, so you cannot spend more than 2.5 percent, you cannot budget more than 2.5 percent of restricted funds over the prior year plus an additional 1 percent on a supermajority vote. That being said, and out of that the major exemption is bonded indebtedness out of that, and certain there's some other little minor exemptions along-- we'll they are minor, but there are some exemptions. But the big one that will be of import, importance, I think, this afternoon would be the bond, one on bonded indebtedness. But I think what's really important about the lid on restricted funds is that there is just, I mean, when you look at what you're, what one has to do in order to comport with that, most of our cities, almost-- very, very few cities get to take advantage of the growth factor. Because it is, what it's really supposed to be, if you read it and what the words say, is 2.5 percent over the prior year of restricted funds, plus allowable growth. Allowable growth is what base limitation is in Chapter 77, that's 2.5 percent-- almost nobody gets that-- plus another 1 percent on a supermajority vote. So realistically we have a number of cities that go 2.5 percent plus 1. But again, of the, of the 213 that are at their maximum levy limit, only half of those can even generate the 2.5 percent.

**CRAWFORD:** And restricted funds means their budget?

**LYNN REX:** No, the restricted funds means all property taxes, sales tax, highway allocation funds. And, and there is a bill which we

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appreciate that Senator Erdman put in this year that for villages it would take out the highway allocation funds for them because some of them were simply not even able to function [INAUDIBLE] the Legislature passed a bill for the counties to do that previously. It's pretty much everything. It's pretty much everything goes in the bucket of the lid on restricted funds except bonded indebtedness and a few other things.

**CRAWFORD:** All right, thank you.

**LYNN REX:** And again, if you have insomnia, I'm happy to provide you with the diagram of how that works.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? Seeing none.

**LYNN REX:** Thank you so much for your time. Really appreciate it.

**FRIESEN:** Thank you.

**ANN HUNTER-PIRTLE:** Good afternoon, Vice Chair Friesen, members of the committee. My name is Ann Hunter-Pirtle, A-n-n H-u-n-t-e-r-P-i-r-t-l-e, I'm the executive director of Stand For Schools, a nonprofit dedicated to advancing public education in Nebraska. Stand For Schools opposes LR8CA. We recognize the need to reduce property taxes and we've testified this session in support of bills that do so while protecting K-12 education funding. However, we have serious concerns about this amendment's impact on local control of critical programs and services, including but not limited to our schools. Nebraska has consistently ranked 48th or 49th in the nation for state level investment in public schools. This lack of state support has forced school districts to rely increasingly on local property taxes to fund basic programs. At the same time, state law already places a number of restrictions on school districts' ability to raise local revenue to bridge this gap. School districts are subject to both levy limits and spending limits, with a vote of the people required to override a maximum levy. Voters in several communities have approved levy overrides in recent years because they value public education and understand the need to invest in it. Yet LR8CA arbitrarily limits school districts' ability to raise funds even further at a time when the state has only fully funded TEEOSA as called for in the original formula three times in the last 16 years. School spending has grown more slowly over the past decade than spending on state government. School spending is not the source of the state's property tax woes, a lack of school funding and an unforeseen

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jump in agricultural land valuations are. LR8CA takes away a local control and impairs the ability of local governments to manage their own budgets and ensure continued economic growth in the face of factors out of district, district, excuse me, district control such as inflation, rising health care costs, and natural disasters. For these reasons, we oppose the resolution and I'm happy to take any questions.

**FRIESEN:** Thank you, Ms. Pirtle. Any questions from the committee? Senator Briese.

**BRIESE:** Thank you, Chairman Friesen; thank you for your testimony. You talked about the spending limitations, the budget limitation. True that a lot of school districts, at least some school districts have unused budget authority?

**ANN HUNTER-PIRTLE:** Yes.

**BRIESE:** And unused budget authority that they can access to exceed the limits we're talking about here?

**ANN HUNTER-PIRTLE:** Yes, that is true.

**BRIESE:** OK. Because as I look at, you know, in the past I've looked at charts on school spending. And in the aggregate, school spending increases over the last several years have been fairly reasonable. Then you have those outliers and some of those could be accessing but-- unused budget authority to accomplish that, couldn't they?

**ANN HUNTER-PIRTLE:** That is true to some extent. Yes.

**BRIESE:** Thank you.

**FRIESEN:** Thank you, Senator Briese. Any other questions from the committee? Seeing none.

**ANN HUNTER-PIRTLE:** Thank you.

**FRIESEN:** Thank you for your testimony.

**DAVE WELSCH:** Well, Ann did a nice job of leading into my testimony. We should have organized that a little bit, I guess. But good afternoon, Senators. My name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I'm a farmer and currently serve as president of Milford Public Schools Board of Education. I've served on the board for 20 years. I'm here to testify in opposition to LR8CA. I believe you are all elected to legislate

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solutions to high property taxes and not make property tax relief a constitutional issue here in Nebraska. I'm going to digress here for a moment from my written testimony and just comment a little bit about how this possible constitutional amendment would, would have, in fact-- impacted Milford had it been in place back in 2010 prior to ag land valuations increasing. And first of all, I'd like to thank a couple of the senators for the compliments on Milford holding spending down over the last 10 years to around 2 percent. I'll pass that along to my fellow board members and our administration. So if LR8 had been put into place in the last 10 years, you know, I don't think it would have been very effective for Milford Public Schools. It actually probably would have caused us to go bankrupt because we would not have had the ability to levy taxes to keep our school running. As just said, and in previous testimony, we've held our spending down to around 2 percent over the last 10 years, but equalization aid has dropped by \$1.6 million. And let me give you the numbers. In the last, since 2010, our levy was, total levy for all accounts, was \$1.07 and we, we requested \$3.8 million in property taxes. In 2017, we requested \$5.8 million in property taxes because of the loss of equalization aid. And our levy was at 89 cents, it did go down because of the huge increase in ag land valuation. So that's the reality. If you think a constitutional amendment will meet the needs of all school districts and all the other taxing entities in this state, it simply will not. If you want to legislate a solution to property taxes, I would encourage you to do so. But using a constitutional amendment is not the direction that you should take. Also, the appreciate the Property Tax Credit Fund, it has assisted myself and others in our district. But it will not solve the huge tax increase for rural equalized districts. And I want to keep emphasizing that, because there is a group of school districts in this state that have been heavily damaged and that needs to be corrected as part of the solution to property taxes in this state. And I might add, just for clarification, from 2010 to 2015 my property taxes went from about \$11,000 up to \$22,000 in five years. So that's the reality. Also, by implementing this type of constitutional amendment, in 2010 none of us would have anticipated that type of ag land valuation increase. In 2019 today, what other unforeseen happening is out there that we can't, we are not even anticipating. You know, I've been on the board for 20 years. We had health insurance premiums that were in double, double digits for several years in a row. How are we going to pay for that if we have a limitation on how many taxes we can assess? You know, there's nothing within this constitutional amendment that would allow for those types of things, and who knows what's coming down the road? You know, urban

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residential property has increased, you know, low double digits here at times in the last few years. What happens if they all of a sudden hit a 20 or 30 percent increase and the urban districts lose a lot of their equalization aid? What are they going to do? There's a lot of issues that go, what looks like a simple way to control spending or tax requests in this bill. There's a lot of unintended consequences here and you need to look at those before you move this bill forward. And I would encourage you not to move the bill forward. Thank you.

**FRIESEN:** Thank you, Mr. Welsch. Any questions from the committee? Senator Groene.

**GROENE:** You understand if this was in place you probably would have got a lot more state aid, because the state would have been forced to fund the schools. But the way it was--

**DAVE WELSCH:** I appreciate that. But we don't put faith that the Legislature will always act that way. We're still waiting to receive equalization aid and an adjustment to the TEEOSA formula and it has not happened yet. It needs to happen now.

**GROENE:** But if it was in place the state would have been forced to do it.

**DAVE WELSCH:** And that's what the constitutional amendment says?

**GROENE:** That's what would have happened because they couldn't have shifted it to the property taxpayer. It wouldn't have been able to happen. But you do need to be complimented. Don't tell your superintendent, he might try to raise the budget on you.

**DAVE WELSCH:** No, we have an excellent superintendent, and I'll defend him until he retires. Thank you.

**GROENE:** You're \$9,500 on your adjusted spending per student. And the closest one to you is \$500, and the highest one is \$12,400. You're amazing, what you've done.

**DAVE WELSCH:** Thank you.

**GROENE:** And are the kids doing well?

**DAVE WELSCH:** Excellent.

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**GROENE:** Because the schools that-- that one fellow said about Arlington, he happens to be in second place. So but your highest one in your array would it be Fairbury with \$12,500 and, well, O'Neal is at \$12,700, Central City is at \$12,800, and you've got the like-size students and consolidated area too. So it can be done. You have an example that you, it can be done.

**KOLTERMAN:** Just remember where he lives.

**DAVE WELSCH:** Our school district is in Senator Kolterman's district, but Senator Brandt is actually my senator. I live a half mile into Saline County so. But I work on both as if they are my senator.

**GROENE:** But all your land and--

**DAVE WELSCH:** We have land in both counties.

**FRIESEN:** Thank you, Senator Groene. Any questions from the committee? Senator Crawford.

**CRAWFORD:** Thank you, Vice Chair Friesen. And thank you. I just want to clarify, I think what I remember from your previous testimony is that your growth in spending was only 2 percent.

**DAVE WELSCH:** Two point one percent over the last 10 years.

**CRAWFORD:** But then you had to increase property taxes even with that reduced rate of growth.

**DAVE WELSCH:** Exactly, because of the loss of equalization aid, because ag land valuations more than doubled during that same period. It's a pretty simple formula. And I think most people understand that. I just need to get at least 5 people to understand that on this committee to send a change in TEEOSA formula lowering the ag land valuation. And you can refer to Senator Friesen if you would like to know the language there. But that's, that's a critical part of the compromise bill that all of you need to put together. In my previous testimony, a couple of weeks ago, I didn't get to the paragraph about I think we've got the best eight senators on this committee to come up with the compromise bill that will lower property taxes and also improve education funding. And I compliment you for that. There's at least half of you that have brought bills forward that have positive pieces within them that can make that happen. So I really encourage you to work together and create a compromise bill. And the same way on the revenue generation. Some of you brought bills to increase revenue,

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certainly, you know, most of the bills do. And, you know, Senator McCollister has a bill to eliminate the S Corp, LLC Loophole that we probably should have never enacted in this state. So I appreciate that. Those are the types of things we need to clean up and become more efficient at the state level, just as many school districts are doing at the local level.

**CRAWFORD:** Thank you.

**FRIESEN:** Thank you, Senator Crawford. Any other questions from the committee? Thank you for your testimony.

**DAVE WELSCH:** Thank you.

**GREG ADAMS:** Chairman Friesen, members of the committee, my name is Greg Adams, G-r-e-g A-d-a-m-s, executive director of the Community College Association. And don't beat me up when you find out in a little bit that I did submit a letter in opposition. But hearing what I've heard today, I could not help but speak on behalf of my colleges. And I'll make it very, very short. We're not TEEOSA funded. We have three sources of revenue in our community college: We have property tax, we have state aid, and we have tuition and fees. And I could have brought you a graph had I anticipated to testify to show you what's been happening to our state aid over the last 10 years. It hasn't grown very much. It hasn't. And we have desperately tried, all six of our colleges, to keep our tuitions down. Many of our students are Pell-eligible students and we've tried to keep those fees and tuition down. That has meant that we have relied on property tax. And we have mandates too, whether it's CIR, health insurance, all the things that have been listed here before. And we don't get assistance from the state like the other higher education institutions for, for building. In a lot of cases our campuses are working off of inherited junior colleges that are 1960s and '70s versions and we've had to make adjustments. And our most expensive courses that we offer are the technical courses, the ones that are very much in demand in the state. We can't put very many students in front of some pretty expensive equipment. I'll leave it at that.

**FRIESEN:** Thank you, Mr. Adams. Any questions from the committee? Senator Kolterman.

**KOLTERMAN:** Senator Adams, you're getting off pretty easy. Would it make you feel better if I badgered you a little bit?

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**GREG ADAMS:** Have at it.

**KOLTERMAN:** What do you think about TIF?

**FRIESEN:** Senator Kolterman.

**GREG ADAMS:** At this hour, you really want me to get started?

**KOLTERMAN:** Yeah, all right.

**FRIESEN:** Thank you, Senator Kolterman. Could you-- do you know, do we keep talking cost per student or what is your, what is your spending averaging over the last five years? What has been increased?

**GREG ADAMS:** I don't have that number in front of me, Senator.

**FRIESEN:** Could you get that for us?

**GREG ADAMS:** Sure.

**FRIESEN:** I mean, we keep looking at what those increases might be and let's see what's up there.

**GREG ADAMS:** And it's going to be different between a student that's in a transfer credit English class versus a high tech class.

**FRIESEN:** I'm looking at kind of, first of all, I guess, just what are the increases over the last five years. I know the property tax portion has gone up. I don't know what the state aid portion has done over the last five years. I know what it's done to some extent. But if we would look at those spending increases and see them as what they are.

**GREG ADAMS:** I'll try to dig that up for you.

**FRIESEN:** Thank you. Any other questions from the committee? Senator Groene.

**GROENE:** I know Mid-Plains, and I'm not picking on them, because there's, there's other ones that have gone up a lot more. But in 10 years we went from \$6 million to \$16 million property tax revenues. And state, and state aid went from \$4.5 to \$9 million or so. I think that's pretty apropos for all the, all of the community colleges. What did they do with the money?

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**GREG ADAMS:** What do they do with the money? Well, first of all, like public schools, we have CIR to deal with and we have insurance costs to deal with. And as I was explaining to the committee, Senator, just as you were coming in, or maybe you didn't get here, many of the programs that we offer-- and, by the way, statute wants us to do this-- the programs that we offer are technical programs. And you can't put a whole lot of students in that classroom with an instructor and that expensive equipment. It, that's expensive to offer. It isn't just driving nails. You know, you've been on the campuses. There's much more to it than that, and that gets expensive. In addition, the wraparound services that we're providing more and more students, whether they be the nontraditional student, the adults trying to get back in, or the high school student that's having trouble with math and English and there they are at our front door. We're trying to help them get in so that we can fill this labor market.

**GROENE:** But we keep talking about schools consolidating but the community colleges have expanded. They put campuses all over the place.

**GREG ADAMS:** That's correct.

**GROENE:** That's expensive.

**GREG ADAMS:** It's an expense. Yes, it is.

**GROENE:** And what I'm hearing is the hallways are empty.

**GREG ADAMS:** Well, I don't know that they're always empty. Go in there in the evenings. And the other thing that I would add, and I can't say exactly what the number is, but in most cases if there's an extended campus, it is because the community wherein that campus is at has partnered with the community college to develop that.

**GROENE:** The building, but not the employees and the salaries and the CIR.

**GREG ADAMS:** The employees and the salaries and the curriculum, they asked the community college to take that on. In most cases, the community is willing to help with the building. And a lot of times even the community college is asked to get pulled into the building. You're right.

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**GROENE:** But you are number one tax, property tax increases for the last 10, 20 years.

**GREG ADAMS:** I would believe it. We don't have TEEOSA that fluctuates and backfields if it's supposed to.

**GROENE:** You get more state aid than the counties and the cities do.

**GREG ADAMS:** And I would argue that we operate at a higher cost than them too, given what we have to do.

**GROENE:** Thank you.

**FRIESEN:** Thank you, Senator Groene. One other question I had if you're going to, could get information, just how much cash reserve they have on hand.

**GREG ADAMS:** How much cash reserve? OK. And I would add just very quickly, but that got brought up at a hearing the other day. We maintain the cash reserves that not only the law allows us right now, but the Higher Learning Commission requires of us if we're going to maintain accreditation so that we can get federal Title IV money, which is federal aid and Pell grants for our students.

**FRIESEN:** If you--

**GREG ADAMS:** And I'll get you that number.

**FRIESEN:** --spell those requirements out, that's fine. Understand. Any other questions from the committee? Thank you.

**JOHN HANSEN:** Mr. Vice Chairman, members of the committee, good afternoon again. My name is John Hansen, J-o-h-n H-a-n-s-e-n, and I'm the president of Nebraska Farmers Union. I have had experience in my lifetime, in the last 45 years I've either been a public official or I have been the president of a farm organization. So I've been the chair of a budget committee for a public entity. I helped do the budgeting for my local school in addition, so I've dealt with lids. And if there's one thing I know for sure, is that if you put in a 3 percent lid that you will, in fact, have a 3 percent growth. You-- the, the ceiling will become the floor and you will max out every year 3 percent. And that's my experience, and that's the way the world works. And so, so I have some-- I have some heartburns with the way lids-- based on my experience, it would be fair to say that the intent of the lids that that exist almost always have unforeseen consequences and

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they never work quite the way they were set up to do. So the problem with putting a lid in the constitution is it's-- on my planter, I used to have 10 settings of different kinds of depths that I could use on my planter. And so you finally find a setting that kind of works. You sure wouldn't weld that notch with a welder and say, OK, it works good. I'm going to weld this on here. And why not? Because next field, next day, next year, different conditions, you need to readjust it. And so what a constitutional amendment does is it, is it takes away what I, what my organization views as the legitimate authority and management responsibility of the Legislature to make those kinds of decisions. And so if there is going to be some sort of cost control as a part of a package, and I assume that that's a real possibility, that the proper place for it would be in statute and it should not be in the constitution. I put this particular effort in the "beware of what you ask for, you just might get it" category. Thank you.

**FRIESEN:** Thank you Mr. Hansen. Any questions from the committee? Seeing none.

**JOHN HANSEN:** Thank you very much.

**RENEE FRY:** Good evening. My name's Rene Fry, R-e-n-e-e F-r-y, I'm the executive director of OpenSky Policy Institute. While we appreciate that Nebraska's heavy reliance on property taxes is a serious and longstanding issue that has frustrated our state residents for decades, we do not believe that LR8CA is an appropriate way of addressing this problem. We oppose LR8CA because it's a one-size-fit-all approach that ignores the reality of local governing and is anti-growth. The property tax provides the resources to pay for services that people most frequently come in contact with and depend on: police, fire, parks, libraries, schools. The cost to provide these services are subject to pressures such as inflation, state mandates, population growth, changes in citizen preferences. If the cost to provide these services grows faster than the 3 percent cap, services will have to be cut or other revenue sources will have to be used to pay for them. For those local governments that aren't growing, LR8CA will still have an impact. If they have a local emergency or a roof that needs to be repaired, LR8CA could prevent them from suing-- doing so. Even small reductions in property tax revenue can impact cities' ability to respond to natural disasters, failing infrastructure, and population shifts. For those local governments that are growing, a 3 percent cap could be, could hit hard, especially without any additional state support to make up the difference.

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Between FY '16 and '17, LR8CA would have had no impact in 68 percent of cities whose property tax growth was below 3 percent. But in the other 32 percent of cities, the 3 percent cap would have resulted in \$8.6 million less in revenue. In an Omaha World-Herald article, the city's mayor said that: A cap in LR8CA would have had a profound and detrimental effect on our city's operations. Noting that public safety and other city services would be in jeopardy. With regard to school districts between FY '17 and '18, 30 percent of school districts had property tax revenue growth in excess of 3 percent. For those 73 school districts, a 3 percent cap would have resulted in \$33 million less in revenue. And it turns out that growth and property tax revenue for local governments is quite variable. Many will have an increase in property tax revenue one year and a decrease in the next. Therefore, local governments will be incentivized to levy the full 3 percent each year, whether they need it or not. Several measures such as LB314, LB497, LB507, LB508, LB614 aim to reduce our reliance on property taxes while offering revenue offsets that would help prevent the major service cuts that would occur under LR8CA. As Nebraska tries to grow its population, cities, counties, and school districts that are growing could end up with population increases but without the necessary resources to support them, resources that contribute to a thriving community. It seems that LR8CA could be in direct conflict with other initiatives, such as Imagine Nebraska, that intend to grow Nebraska and our economy. I was hoping Senator Groene would be here to address the comment he made about property taxes and how this would allow schools, they would get more state aid. My understanding is, or our understanding is that under the legislation as it's written it actually would not require more state aid because it doesn't adjust the LER. So we do not believe that that statement would be correct, that this would actually fill in state aid so.

**FRIESEN:** Thank you, Ms. Fry.

**RENEE FRY:** Thank you.

**FRIESEN:** Any questions from the committee? So basically you're saying it has no effect on TEEOSA, it's just going to limit their, property taxes. And so there will be no extra state aid to fill in if they need it?

**RENEE FRY:** Yes. So if you heard from school districts like Mr. Welsch, the story he was telling of significant loss of state aid. So if you,

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if you had to keep your property tax revenue growth down, that's not going to kick in state aid to fill that back in.

**FRIESEN:** OK. Thank you very much. Seeing no other questions, thank you for your testimony.

**RENEE FRY:** Thank you.

**BLAIR MACDONALD:** Vice Chair Friesen and members of the Revenue Committee, good evening. My name is Blair MacDonald, B-l-a-i-r M-a-c-D-o-n-a-l-d, and I am here today representing the Greater Nebraska Cities, which is an association of municipalities including Aurora, Grand Island, Hastings, Holdrege, Lexington, Kearney, and Minden. We are here in opposition to Senator Linehan's LR8CA. The Greater Nebraska Cities understands that we are at a critical point where we as a state must address the issue of property tax relief, but we do not believe this constitutional amendment is the way to do that. I would echo comments made by others in regards to the detrimental effects of this constitutional amendment to municipal budgets should this pass on the ballot. There is no mechanism within this resolution to address population growth, annexation, or increases in assessments other than to turn to the electoral process. This type of restraint creates uncertainty in budget projections and property valuations as we forecast out our municipal budgets and upcoming projects. This is detrimental to city planning, and the type of uncertainty that does not lend itself to good governance. It is for these reasons that the Greater Nebraska Cities is opposed to LR8CA and asks that you also please oppose this resolution as well.

**FRIESEN:** Thank you for testimony. Any questions from the committee? Seeing none, thank you.

**BLAIR MACDONALD:** Thank you.

**MICHELLE WEBER:** Good evening, Senators. I'm Michelle Weber, M-i-c-h-e-l-l-e W-e-b-e-r, testifying in opposition to LR8CA on behalf of the Nebraska Association of Resources Districts. NRDs oppose LR8CA because it may put elected officials in the uncomfortable position to unnecessarily increase property tax requests by the allowable limit every year in order to protect the long-term financial position of the entity they represent. Local elected officials work to manage budgets and property tax askings, avoiding unnecessary tax increases, but they're also working diligently to carry out the responsibilities of their entities and want to protect against possible shortfall

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challenges related to decreases in other funding sources, like state or federal funding, or revenue streams from programs like tree sales or related to inflation changes. On average, property tax levy authorities comprise only 34 percent of each NRD budget. NRDs pay as they go with budgets increasing or decreasing each year based on local decisions to fund unique projects that cause the revenue needs to fluctuate. Each year is different. This resolution ignores the unique and fluctuating needs of those local entities. Thank you.

**FRIESEN:** Thank you, Ms. Weber. Any questions from the committee? Thank you for your testimony. Any other-- what are we, opponents? Seeing none, anyone with to testify in a neutral capacity? Seeing none, Senator Linehan, are you still with us?

**LINEHAN:** Thank you. I didn't know it would go this long. Thank you all for working so hard, and I thank all the testifiers. And there does seem to be some recognition of all the hard work you're all putting in on on this. And we've got a long ways to go. I think my one takeaway from this afternoon would be, I don't know whether it's an oxymoron or a paradox, but to have people repeatedly-- and I know this is the reality, I'm not disagreeing with them-- to say they have local control but they have no control over salaries or health insurance costs, is hugely problematic. Because if that's 80 percent of their cost and they're telling us they have no control over those costs, then in there lies a very huge problem. Because anybody that can't control their salaries or their insurance costs or employees is going to go broke. So we're just going to have to put that in our set of problems and address that as well.

**FRIESEN:** Thank you, Chairman Linehan. Any questions from the committee?

**LINEHAN:** Thank you.

**FRIESEN:** Seeing none, we'll close the hearing on LR8CA. Oh yeah, I'll read the letters to the record. Good thing you reminded me. We have proponents: Al Riskowski, Martell; Lerry Zimmerman, Lincoln; Jeremy Jensen, Grand Island; Rob, Robert Hallstrom, National Federation of Independent Businesses. Opponents: Joe Shandera, Lincoln; Doug Kindig, mayor of La Vista; Rusty Hike, mayor of Bellevue; Jim Timmerman, mayor of Gretna; David Black, mayor of Papillion; Bob Roseland, mayor of Springfield; Jennie Benson, Nebraska State Education Association; Jami Thompson, superintendent of Norfolk Public Schools; Orval Stahr, mayor of York; Joseph Frei, York city administrator; Greg Adams, Nebraska

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Community College; Bary Habrock, superintendent of Elkhorn Public Schools; Robert Hilske, Nemaha Natural Resources District; Rob Winter, Greater Nebraska Schools Association. Neutral testimony: David Brown, Greater Omaha Chamber; Wendy Birdsall, Lincoln Chamber of Commerce; Bryan Slone, Nebraska Chamber of Commerce and Industry. With that, we will close the hearing. And now I'll turn it over to Chairman Linehan.

**LINEHAN:** Good evening. Welcome to the hearing on LB506. Nice to see back, Senator Briese.

**BRIESE:** You bet. Good to be back. Thank you, and good evening, Chairman Linehan and members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, I represent the 41st District. I'm here today to present my LB506. LB506 would impose a property tax asking cap on K-12 school districts. I provided you with a handout earlier via email that summarizes and describes how it works. I am going to pass out a handout here this evening, but I don't see it anywhere. Might be on its way. But it's kind of a white paper on how it works. There's just a fairly simple explanation, and I know legal counsel put together a good explanation, I think, in their summary also. Mine might be a little more streamlined. But the cap is patterned after what I developed last year for LB1084. It was contained in LB1084 but not in this year's LB314. The intent of the cap is twofold: To control the growth of property tax requests by local school districts and to ensure that dollars dedicated to property tax relief actually yield that relief. And as far as controlling the growth of property taxes, our thought was at the time the unused budget authority perhaps allowed some of these districts to circumvent the budget limitation. Otherwise, you know, a person could be talking about the budget limitation perhaps to limit property tax growth, but there is that unused budget authority that one of the testifiers in the previous hearing spoke of that allows some circumvention of that. But I note that this version is different in several ways from last year's version. While last year's version allowed an increase in the tax asking authority equal to the highest of the percentage increases in the student population, increase in English language learners as a percent of total enrollment, an increase in poverty students as a percent of total enrollment, this bill limits it to a fraction of those increases. And unlike last year's bill, this bill allows for a public override only after approval by a 60 percent majority. So, so we can discuss the specifics of the bill, but I think the handout kind of describes how it works. I'd be happy to answer questions on it as we proceed here. But I would like to note that the tax asking

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authority here is reduced by any increase in nonproperty tax revenue. In other words, if state aid goes up, it lowers the property tax asking authority. But in vice versa also. So it's designed to ensure that any increase in state aid yields property tax relief. And really, you know, over the years talking about increased funding to K-12 education, that's one of the most common refrains I heard. And the question is, how do we guarantee that increased funding of K-12 education yields property tax relief? And it's very difficult to design something that would ensure that it's always one for one. There's always going to be some slippage. But this mechanism comes as close as-- comes fairly close to ensuring that all these new dollars yield property tax relief. And I anticipate there will be some folks here who may testify as to why they don't believe additional controls or caps are necessary. And I look forward to hearing from them, and we need to hear from them. And obviously the provisions in LB506 are perhaps a starting point. There is other mechanism, mechanisms I think on the table to try to accomplish something similar, but I've felt all along one of the biggest issues facing this committee is going to be whether we need a cap and what any cap should look like. And I've offered this bill to provide an outline of what a possible cap could look like. Be happy to answer any questions, and I'll be around for closing.

**LINEHAN:** Thank you, Senator Briese. Are there questions for Senator Briese? Yes, Senator Crawford.

**CRAWFORD:** Thank you, Chairman Linehan. And thank you, Senator Briese, for presenting this sophisticated cap. As I look through it, the one concern I have, or question I have, is looking at the, the highest of the following part. So and we have A, B, C, D; and so A is the 2.5 percent, or the previous year CPI. So that's, that makes sense. Now, the B, C-- the B is about the growth and enrollment, C is about limited English proficiency, and D is about poverty students. I'm seeing many of the schools in my area would have all three of those happening at once. And this is an or, as opposed to maybe allowing to recognize that those are complex things, that some districts have all three of those things?

**BRIESE:** Yes, it's definitely an or. And those numbers, you know, should be subject to discussion. Are they reasonable, are they realistic? I don't know. Last, last year's cap, I didn't have a percentage, and I think there's instances where maybe we would overshoot what we're trying to do by that. And those provisions were

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put in there at the-- some folks in the education community last year pointed those out, pointed out the potential need to make some adjustments for LEP students and poverty students. And so that's why we put those in there. Not, not that they're going to endorse exactly what I have here.

**CRAWFORD:** Sure.

**BRIESE:** But those are, again, it's a starting point. If we were to utilize a cap like this, yeah, we'd have to talk over some of those numbers probably and see what we're trying to accomplish and what's realistic. You know, we don't want to put a chokehold on education, obviously, with this cap. But we still-- but the intent is to protect taxpayers and to ensure that dollars that get directed towards public education from the state yield property tax relief. Good question.

**LINEHAN:** Thank you, Senator Crawford. Other questions? I have one quick.

**BRIESE:** Yes.

**LINEHAN:** And this is-- I don't know if you have this, but it's something the committee needs to find. What are-- so they talk about their spending limits and their increases. There is things that are outside these limits. I remember last year, two years ago we had the discussion on the early retirement buyouts things that were outside the limits, and it seems to me like there's a-- maybe we just need to get, I guess I'm talking to Senator Groene. We need to get a list of things that are outside the limits and see if they really should be outside the limits or if they should be inside the limits.

**BRIESE:** Yes. It, it seems to me there are six rate items that are outside the limits and we addressed one two years ago, I think, with LB457.

**LINEHAN:** We just, so when we're looking at this we know that-- yeah. OK, thank you.

**BRIESE:** Thank you.

**LINEHAN:** Proponents.

**ANSLEY MICK:** Good evening, Senator, members of the Revenue Committee. My name is Ansley Mick, A-n-s-l-e-y M-i-c-k; and I'm here on behalf of the Agricultural Leaders Working Group, which is comprised of the

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Nebraska Cattlemen, Nebraska Corn Growers Association, Nebraska Farm Bureau, Nebraska Pork Producers Association, Nebraska Soybean Association, Nebraska State Dairy Association, and the Nebraska Wheat Growers Association. And we're here supporting LB506, Senator Briese's bill to establish the Property Tax Request Limitation Act. LB506 limits the increase in a school district's property tax request to the greater of 2.5 percent growth in student calculation, growth in limited English proficiency student calculation, or growth in a poverty student calculation. I think Senator Briese sort of filled you in on some of the mechanics, so I'll skip to the fact that I think is really important. The Ag Leaders Working Group has supported similar provisions before this committee when a larger more comprehensive bill was heard in LB497. LB497 establish an annual max-- would establish an annual maximum property tax authority for each individual school district based on the amount of state aid a district receives, the prior year's tax request, and a basic growth factor. This is a really important point back to your question, Senator Linehan. We hear a lot, and you're going to hear a lot, and we've heard a lot today that school general fund spending has increased an average of just over 3 percent over 10 years. But according to the Fiscal Office in this, LB506's fiscal note, the 10-year average growth in property taxes collected by school districts from 2008 to 2018 is 4.6 percent. So taxes collected on average are two and a half times the base limitation rate established by the Legislature. So to put that, I guess, to simplify that, and I wish, I guess, I'm not putting this very accurately, but those taxes are still coming out of someone's pocket, right? Those are still going to the school district. Those aren't, that's not-- just because you're holding down spending to a certain percentage doesn't mean folks aren't paying those taxes. They're going somewhere. In this case, again, four is-- 4.6 percent on average. That's 4.1 percent growth in the general fund operations and 11.3 percent in building fund. That's three, three and a half times the base limitation rate set by the state. So those taxes have gone up 11.3 percent for building funds even though you have a 2.5 percent spending limitation. So in this particular instance, it's not so much, well, we do care how much you're spending, we care how much you're collecting. Clearly current budget and spending limits established by the Legislature are not working to hold on property tax collections, whether it's the cap in LB497 or LB506, we believe a property tax asking limitation should be part of a broader solution to providing meaningful property tax relief. While we believe additional work will need to be done, we thank Senator Briese for the, for his work to reduce the burden of property taxes and look forward to working with

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this committee on a comprehensive solution. Thank you. I'm happy to answer questions.

**LINEHAN:** Thank you. That was helpful. Questions from the committee? Thank you for being here.

**ANSLEY MICK:** Thank you.

**LINEHAN:** Appreciate it. Other proponents? Opponents? Go ahead.

**LANNY BOSWELL:** Chairperson Linehan, members of the Revenue Committee, my name is Lanny Boswell, L-a-n-n-y B-o-s-w-e-l-l. Lincoln Public Schools offers this testimony in opposition to LB506. LB506 limits growth in a school district's property tax request to only one factor in a list of base growth, student enrollment growth, growth in English language learners, or growth in children living in poverty. School districts can and do experience all four of the growth factors within a given school year. Over the last five years, LPS has experienced an 11 percent increase in our student population, 4,167 students; a 30 percent increase in our special education population, 1,460 additional students with special needs; and a 37 percent increase in our English language learner population, 806 additional ELL students. School districts need the ability to grow both by the increased costs of doing business and the increased costs of serving additional students and student needs. Disconnecting the property tax request limits for school districts from the existing methodology of a maximum lid in the TEEOSA formula will significantly impact school districts with growing populations, and particularly school districts serving increasingly diverse populations. Also, LB506 only provides for growth on half of the school district revenue budget. The multipliers proposed are not applied to the total district budget. The growth factor is applied to the previous year tax request, and on average school districts across the state receive 56 percent of their funding from property taxes. We appreciate the exception for revenue growth for special education receipts, treating the special education budget growth as an exception to spending lids is valuable and exists in three spending lid methodologies currently in place. However, it is important to note that all other changes in revenue will be cancelled out in the methodology described in LB506. Therefore, the net result is that for many districts the percentages proposed are applied to only half of the budget. We ask that you carefully review multi-year modeling by NDE to truly understand how the proposed provisions will work and, more importantly, the impact on students throughout the state for

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years to come prior to considering any concepts that limit the tax request. Thank you.

**LINEHAN:** Thank you. Are there questions from the committee? Yes, Senator Groene.

**GROENE:** Don't quite understand this, but he's not addressing the needs. So the state, he's assuming-- or making the factual claim if the formula is figured out then the state will fill in the difference, is that not correct?

**LANNY BOSWELL:** No, that's not correct, Senator, because the revenue that would be received, the increased revenue that would be received in state aid as a result of increased need would be subtracted from the property request.

**GROENE:** I'll have to read it closer. I read in the paper today that you guys are looking at increasing your extracurricular activities. They had a report, I didn't know what your terminology was.

**LANNY BOSWELL:** So it's not so much extra curricular activities, but we had-- I don't know if you're familiar with our Focus programs, like our science-focused program at the zoo, our Career Academy. We have a number of those programs. We had a, a group study, those what we call the Focus, Focus programs, and look at Focus programs across other districts across the country. And what we found is students are more engaged and so, therefore, they'll graduate at higher rates so--

**GROENE:** Something about junior high band or something.

**LANNY BOSWELL:** OK.

**GROENE:** Music it was one of them. That's why I thought extracurricular.

**LANNY BOSWELL:** OK. Well, we may be talking about different things, but I'd be happy to get you more.

**GROENE:** Sorry. I just was curious.

**LANNY BOSWELL:** OK.

**GROENE:** That's outside of the basic necessities and you have enough money to expand that?

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**LANNY BOSWELL:** Well, actually, sir, one of our goals is to increase our graduation rate. And what we've found is that by increasing engagement of students by identifying their areas of interest, it's a, it's part of our core mission to engage those students, keep them in school, and get them to graduate.

**GROENE:** Thank you.

**LINEHAN:** Thank you, Senator Groene. Are there other questions from the committee? You just answered Senator Groene's question, and I think I-- if I didn't-- so if there are property tax requests, Lincoln Public Schools, your property taxes revenues goes down, your TEEOSA aid goes up.

**LANNY BOSWELL:** That would be correct, in general.

**LINEHAN:** OK, so isn't. So if your property tax, if you're limited in what you can get for property tax, your aid goes up. So how does it affect you?

**LANNY BOSWELL:** Well, because what happens is it's under this mechanism in LB506, because nonproperty tax revenue is subtracted off of the revenue growth, then what happens is, is anything that we would gain in state aid, we would lose in property tax. So effectively--

**LINEHAN:** That's the way it's supposed to work.

**LANNY BOSWELL:** No-- so, effectively though, Senator, the, the limit in the percentages on growth would only apply to the portion of our budget that's funded by property taxes. The other half would remain flat. And so this, this legislation would affect dif-- districts differently depending on how much of their budget depends on property taxes.

**LINEHAN:** I think we can all agree that almost every piece of legislation we've looked at and what we're dealing with now affects every district different.

**LANNY BOSWELL:** Certainly. But substantially differently for districts that have growing student enrollment when the when the factor includes "or."

**LINEHAN:** Is there a lid that Lincoln Public Schools would live with?

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**LANNY BOSWELL:** We currently have a general fund levy lid \$1.05. We currently have the expenditure lids that are, that are in law.

**LINEHAN:** Would you-- is there, is there a lid on property tax revenue that you could live with?

**LANNY BOSWELL:** Senator, that would depend on so many other factors, I can't answer the question.

**LINEHAN:** OK, thank you. Thank you. Other opponents. Hi.

**CONNIE KNOCHE:** Hello, Chairperson Linehan, members of the committee. My name is Connie Knoche, K-n-o-c-h-e, I am the education policy director at OpenSky Policy Institute, and we're here to testify in opposition of LB506. Because school districts currently operate under spending and levy limitations and the Property Tax Request Limitation Act would just add to the limitations that are already in place. While much attention has been paid to property tax relief, we think limiting property tax request authority would likely have a negative impact on school districts. When comparing '16-17 property tax requests excluding bonds to '17-18 property tax requests when you look at the levies and the assessed value, 88 school districts actually requested less in property tax in '17-18 than they did in the prior year. And then when you compare '17-18 property tax requests to '18-19 property tax request, 101 school districts requested less than property taxes in 2018-19 than they did in the previous year. The growth in property requests, property tax requests authority allowed by LB506 can be volatile, especially in smaller schools where school boards can vote to exceed the property tax request authority up to 7 percent because there's a stair-step mechanism in this where you can vote to exceed it. And the impact of this is nearly impossible to predict, especially as in its interaction with the existing budget authority restraints. School boards are aware of the impact of increased property tax on the community where they live and work, and most school districts have been decreasing their property tax asking over time as they continue to review cost-saving measures. Nebraska is a state that prides itself on local control and we have to let the elected school board members manage property tax requests authority within their spending and levy limitations already in place. It's important to keep Nebraska's public investment in education and local control in perspective. Overall, school spending growth over the past decade has-- was the state's lowest in 30 years. The rate of growth in state aid to schools has steadily declined in recent years, especially in rural districts where property valuations are increasing. Increasing state aid to schools

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has repeatedly been rec-- recommended as the best way to address Nebraska's high reliance on property taxes to fund K-12 education. And proposals to limit property tax authority don't get to the root of the property tax problem. And also in answer to the question about state aid increasing if your property taxes go down, the only way that state aid would increase is if the local, local effort rate would decrease in the state aid formula. Because this bill wouldn't change the maximum levy, the local effort rate is 5 cents below the maximum levy. So even if your tax revenues decreased, state aid wouldn't come in to backfill that unless there was a made-- a change made in the TEEOSA formula.

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

**GROENE:** You're, you're talking about unequalized districts.

**CONNIE KNOCHE:** No, well, for any district, the local effort rate in the formula is set at 5 cents below the maximum levy. So restricting the property taxes wouldn't impact what they get for state aid unless you change the maximum levy.

**GROENE:** Change the maximum levy to match this like my bill did.

**CONNIE KNOCHE:** Yes.

**GROENE:** All right.

**LINEHAN:** Thank you, Senator Groene. I know it's late and I don't want to be grouchy, but so in your first paragraph here you say that comparing '16-17 property tax requests to 2017-18 property tax request, requests, 88 school districts requested less in property taxes. But that means 156 requested more?

**CONNIE KNOCHE:** Yes, that would probably be true.

**LINEHAN:** So and then it's the same with the next year, 101 requested less, but that means-- whatever it is, 240-- or 143 requested more.

**CONNIE KNOCHE:** But that's just showing that schools are aware of this problem, they're managing their budgets.

**LINEHAN:** I think we get rural schools out there that are very, very aware because they don't, it's not that-- they could raise the levies but people can't afford to pay them.

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**CONNIE KNOCHE:** Right.

**LINEHAN:** So you cannot, as somebody said earlier today, one of the guys from-- who moved to Missouri, you cannot get blood out of a turnip. So and then you were here this afternoon for much of the testimony from schools in cities and counties talking about local control, but saying it at the same, in the same, in the very same paragraph: We need local control, but we can't do anything about salaries and insurance rates.

**CONNIE KNOCHE:** Well, there's other costs too that they can't control, like gas prices, you know, if fuel goes up or--

**LINEHAN:** But see everybody has to-- every entity that exists has to fight to control those costs. You can't not control your costs.

**CONNIE KNOCHE:** That's true.

**LINEHAN:** OK, other questions from the committee? Thank you very much for being here. Go ahead, I'm sorry.

**SARAH CENTINEO:** No, that's fine. Good evening. My name is Sarah Centineo, S-a-r-a-h C-e-n-t-i-n-e-o, I'm the current school board president of Bellevue Public Schools and I am also a member of the NASB, I'm here representing both entities. I'm not going to waste your time and repeat the things I agree with the previous opponents of this bill. What I would like to touch on and reiterate is the, is the importance of local control. As a member of the NASB, I've been fortunate enough to get to know some of my rural and more urban counterparts. Every district has its unique advantages and challenges and disadvantages. In my district, in particular, we have a large amount of federal land that we don't have property taxes, that we can't tax, that's exempt. I know some of my colleagues in the Omaha area have a large amount of TIF property tax property that they can't get property tax income from. And I know in the rural communities that they faced the certain, certainly face the difficulties with agricultural land. My-- our position is, is that this shifting of the balance will not help out really any of these communities. That without adding an additional, if you cap-- if we were to, if you were to pass this bill, if this bill were to move forward, that it would create such a disadvantageous situation to many of the districts without an alternative revenue stream that our districts in general and the state would, would see a shortfall. We as districts operate lean. We operate very leanly. The idea that school boards or

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administration are over-spenders is not representative, is not reflected in the facts. As Senator Linehan mentioned yesterday, I also believe in using real numbers and real facts. And the real facts are that Nebraska ranks, ranks 49th out of 50 for state aid for public education and that we spend more money on students per in the classroom, that most of that money goes towards our students in the classroom and it does not go towards administration. And certainly doesn't go to, towards the school board. I'm unfamiliar with how this process works, so I don't want to go over my time. But I've prepared a more complete statement. My background is not in finances, it's in nursing and the law and a little bit of education, so I would, I would cede that information to our school accountant who I had a wonderful conversation about this particular issue with. So I'd be happy to answer any questions I can.

**LINEHAN:** You're very kind to be here so late. And I realize and will agree wholeheartedly that the school boards, spending on the school board is not a problem. It's probably one of the toughest jobs there is in the whole country. Nobody is ever happy, and you live right next door. Are there questions from the committee? Senator Groene.

**GROENE:** But what I keep hearing from school people is you want more state aid but you don't want a reduction in what we allow you to property tax. You want, you want the best of both worlds. You want the more state aid, but you don't want limitations on what you can get from property taxes. So is there-- I think Senator Linehan kind of mentioned, are you anywhere-- were you're willing to give the property taxpayers some property tax relief and then help us get the state become better than 48. But it seems like you want both.

**SARAH CENTINEO:** I think I can speak for certainly the organizations I'm here to represent in saying that we want to be funded to the point where we can retain the teachers we have, where we can pay them a living wage, where we can educate our students in rural and urban districts, and continue to grow our state and grow our education system. We have a uniquely wonderful state that has this broad range of of agriculture, urban, rural that, that we have to be able to-- and this is a big job for you guys. I feel like I have a big job. You guys have a much bigger job than I do. I don't have, I don't have the unicorn that can answer your question, Senator Groene, but I, but I know that we are trying to do on the local level everything we can with the pennies that, with the pennies and the dollars and the big budgets that we do get. But we spend it all.

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**GROENE:** You're in a community that's got very high tax. That city is out of control, I think they went up to 70-some cents on their levy. And you're sitting at \$1.05. I would have a hard time living there. But I do appreciate when elected officials come in and testify for us.

**SARAH CENTINEO:** Thank you.

**GROENE:** I really appreciate that.

**SARAH CENTINEO:** It's my pleasure to be here.

**LINEHAN:** Thank you, Senator Groene. Any other questions? Senator Crawford.

**CRAWFORD:** Thank you, Chairwoman Linehan. And thank you for being here, I do appreciate that and appreciate your work on the school board. I wonder if you could tell us a little bit about your letter cites that Nebraska ranks third in the country for dollars that go directly to the classroom.

**SARAH CENTINEO:** Sure.

**CRAWFORD:** Tell us a little bit about where that comes from or how we know that.

**SARAH CENTINEO:** Sure. This is all based on the U.S. Census Bureau from 2016. So this is the information that I got from the NASB. I'd be able to give you a better site.

**CRAWFORD:** Site?

**SARAH CENTINEO:** Yes, for all of that. But that's all information that we have from the NASB.

**CRAWFORD:** All right, thank you.

**LINEHAN:** Thank you, Senator Crawford. Other questions? I have looked at that information and it is impressive, that number. But what it-- there's like leap, when it comes to the administration part there's like two-- you know, that's OK because I didn't get into it.

**SARAH CENTINEO:** Yeah.

**LINEHAN:** It's not in there. There is a general administration, and another kind of administration I can't remember, remember. There's two offices, and one we're very low on and one we're very high on. So that

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organization needs to go back and look. I didn't know what the diff-- I'd appreciate it, an explanation of why we're like sixth in the nation on one administration expense and then the one they put in their report they mailed out to all of you they list the one that we're very low on. So I just don't know if it's apples to apples or what the--

**SARAH CENTINEO:** Sure, I'm also curious. That's a very good point and I would, I would like to know that information too. So I appreciate you pointing that out to me.

**LINEHAN:** Thank you. Other questions? All right, thank you very much for being here.

**SARAH CENTINEO:** Thanks.

**LINEHAN:** Drive home safe. Other opponents?

**JACK MOLES:** Good evening, Senator Linehan and members of the Revenue Committee. My name is Jack Moles, J-a-c-k M-o-l-e-s, executive director for the Nebraska Rural Community Schools Association. I am also speaking on behalf of the Nebraska Council of School Administrators and the Nebraska State Education Association today. First of all, we'd like to thank Senator Briese for his work on trying to find a solution to what we do believe is an issue also with high reliance on property taxes. NRCSA and the other organizations have two main concerns with this bill. First would be that there already are limitations on school district spending and revenue raising ability. And the second is it would allow very little reaction to rising costs when, when districts run into issues. The first thing is there are already limitations on the ability of a school district not only spend but-- to not only spend, but also in raising revenues. These limitations do cause districts to keep spending increases as at a reasonable level. They also do cause budgetary problems for many districts. Second, there are many costs to a school district that are not totally in the district's control. And if a district has kept its property tax requests at a minimum then it might, may find itself in a difficult spot of meeting its budgetary needs within the property tax limits at a time that it also may be experiencing other lost revenues. One of the comments I've heard is about tax requests going up. I can speak on behalf of nonequalized districts, 175 of them, that if state aid went away from the districts, yes, property tax requests did go up. And they continue to go up, because we talk about a compounding effect. Where, once a school district loses money in a given year, the

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next year they have to make up for that total and further losses. For example, if they lost \$100,000 one year and then another \$100,000 the next year, they actually had to make up for \$300,000 in lost state aid over that time. In closing, we are sympathetic to property tax issues and believe that there are solutions available. We believe these solutions need to be adequate, need to adequately address our school funding issues also. We do not believe LB506 is that solution. Thank you.

**LINEHAN:** Thank you, sir. Other questions from the committee? Thank you.

**JACK MOLES:** Thank you.

**LINEHAN:** Other opponents? If there are no other opponents, anyone in the neutral position? You can do whatever you want. Senator Briese, would you like to close?

**BRIESE:** [INAUDIBLE] 10-page document, and I'll just be happy to answer any questions if you wanted, but otherwise I'd waive so.

**LINEHAN:** This is-- I'm sorry, questions. This is very good work, thank you. We should look at it. I think we're all kind of--

**BRIESE:** Yeah, understandable.

**LINEHAN:** To get a complicated formula. Oh, wait, letters. Letters, I'm sorry. Is this it? I've got it right here. It's right here in front of me. Proponents: none. Opponents: Bary Habrock, superintendent of Elkhorn Public Schools; Jami Thompson, superintendent of Norfolk Public Schools; Mark Adler, superintendent of Ralston Public Schools; Jenni Benson, state-- Nebraska State Education Association. David Brown-- excuse me. Neutral, not opponent. Neutral: David Brown, Greater Omaha Chamber; Wendy Birdsall, Lincoln Chamber of Commerce; and Bryan Slone, Nebraska Chamber of Commerce. With that, we bring hearing LB506 to a close, and we welcome Senator Erdman and open the hearing on LB482.

**ERDMAN:** Good afternoon, and thank you for being here all this time. My name is Steve Erdman, I represent District 47, 10 counties in the Panhandle. And I will try to keep this brief. This is a very common-sense bill and I brought it to the committee that has common sense. I appreciate that. I always enjoy coming here. Senator Groene, I think this will be a lot shorter than the last couple of times I've

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been here. That's my goal. So several years ago, as a county commissioner, a lady came in to protest her valuation. And she sat across the table from me and she said: My property burned down on New Year's Day night and I have to pay property tax for the whole year. She had it for about 15 hours past midnight on January 1st. She had to pay property tax for the whole year because the state does not allow us to prorate property tax when property is destroyed. So she paid property tax for the whole year. A couple of years ago, there was a big fire north of Lake McConaughy early spring. Wind had blown hard, burned eight houses. I was at a picnic in Paxton that summer and a lady came up to me and showed me her property tax statement. Her house burned down late March. When she received her notice from the county, her value went up 15 percent. Her value had already been adjusted before she had her property burn up. In June of '17, we had a tornado come through our area. My neighbor lost all of his facilities and his house. Another neighbor lost his house and part of his sheds. They paid property tax for the whole year. What this bill does is if you lose your home to natural disaster, fire, flood, whatever it may be, it will be prorating the taxes until the day you lost it up until October 1. After October 1, you will pay for the whole year. If your house burns down on October 2, you pay the taxes for the whole year. Up until then, it will be prorated. If you do as my neighbor did that lost his complete house, everything was blown away, he put in a modular. The modular was set up and he moved in just before Thanksgiving. This bill allows the tax to start again as soon as it's occupied. So it gives them a break for that issue when their property is destroyed. It's a common-sense approach to the way we should treat people who have a disaster. And as we have dealt with those things in the past as a county commissioner, we just said sorry, but you must pay. And we pay a year in arrears here. That's the way we pay our taxes. So if your property is destroyed in June and those people that collect taxes-- and I was kind of amused today sitting here, and I sat here some and listened to the comments, and it's like it always is in every one of the hearings that you have when you're trying to reduce taxes. All of the people who are against reducing taxes are the people who receive the taxes. And the people who pay the taxes are too busy at home working to try to pay the taxes, they can't come here to testify. And so when I see those people come across the table from me as a county commissioner and I could not help them, that was a helpless feeling to say: I have compassion for you, I feel bad about what happened to you, but there's nothing I can do about it. This gives us an opportunity to do exactly that, prorate their value, their taxation to the day they lost their property. If they rebuild that

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year, they go back on the tax rolls just like-- and it will be the value of the new, of the new construction. I have just received the, the fiscal note. Those fiscal notes have been coming out kind of slow, I just got it this morning. And if you turn to the fiscal note, at the bottom of the first page it says: The property valuation declines for the purpose of property taxation. There could be an increase in state general fund expenditures though the Tax Equity and Educational Opportunities Act. You may have made heard of that one, TEEOSA. But we estimate any potential increase due to LB840-- LB482 would likely be minimal, minimal. So what I'm asking is, let's move this bill to the floor. Let's make a difference for those who have had a disaster, and let's treat people like we would want to be treated. Thank you.

**LINEHAN:** Thank you, Senator Erdman. Thank you for being so patient being here. Do we have questions from the committee? Senator Groene.

**GROENE:** Couldn't we just take this on to the homestead exemption and say there's an exception? The homestead exemption, we get around the constitutional by saying, you know, it's they're paying their taxes but they get credited back. Same thing we do with the Property Tax Credit Fund and just add another another caveat that says if you've lost your property you qualify for homestead exemption until the property is replaced. It might be the simpler way, wouldn't it?

**ERDMAN:** Yes, Senator, that could be, that could be an option.

**GROENE:** Then it's the state paying, instead of the local.

**ERDMAN:** Then the state would pick up the property tax, and then I wouldn't have one of these it says zero.

**GROENE:** Yeah. We already have one of those.

**ERDMAN:** Right. Yeah.

**LINEHAN:** Thank you.

**ERDMAN:** But that would be the case. Yeah. But it's, it's an issue that we, we dealt with. And, you know, it's just an opportunity for us to make some sense for those people who have had a disaster. Just, you know, my heart went out to the lady their house burned down, they raised her value, and then the lady lost her home on January 1. It was the evening of January 1 her property burned. She paid for the whole

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year. That, that just doesn't seem right, doesn't seem right. So here's a chance for us to make a difference.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Senator Crawford.

**CRAWFORD:** Thank you, Chairman Linehan. And thank you, Senator Erdman. So I'm trying to figure out how the county assessor will know if there's a fire. Is there some of the sort of--

**ERDMAN:** The bill says at the start right there, it talks about the report. The assessor will, will report to the County Board of Equalization.

**CRAWFORD:** So the county assessor is responsible for making it?

**ERDMAN:** The county responsible-- is responsible for making that announcement to the Board of Equalization. The Board of Equalization is the county commissioners in those counties. And it will be their responsibility to bring it to the board's attention. There's also a provision in there that you can, you can protest to TERC if you didn't like their determination. So it gives them a chance for a hearing for, for adjusting their value if they don't agree. So it has a provision in there that they can be treated correctly. If they don't feel they are, they can, they can appeal to TERC.

**CRAWFORD:** Thank you.

**LINEHAN:** Thank you, Senator Crawford. Senator Kolterman.

**KOLTERMAN:** Senator Erdman, just a point of clarification for me. You pay your taxes in arrears.

**ERDMAN:** Correct.

**KOLTERMAN:** So you're really not paying-- if, if we wouldn't be collecting the taxes, I mean, the house isn't there. We wouldn't be collecting the taxes that they lived in the house for the previous year.

**ERDMAN:** Correct. You're paying, like this year you owe the taxes on '18. So if your house burned down now in '19, then you would owe taxes up until February 27 and then you wouldn't owe any taxes next year. In

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'20 you wouldn't pay '19 taxes in, in its entirety. Does that make sense?

**KOLTERMAN:** Yes and no.

**ERDMAN:** In May and September, your taxes are due. Those are for the year 2018.

**KOLTERMAN:** Yeah, but, might-- I guess my point is the, the budgets are set based on future tax receipts.

**ERDMAN:** But your budgets aren't set for '19 until September.

**KOLTERMAN:** OK.

**ERDMAN:** Does that help?

**KOLTERMAN:** Yeah.

**ERDMAN:** Thank you.

**LINEHAN:** Any other questions? Senator Crawford.

**CRAWFORD:** Thank you, Chairman Linehan.

**LINEHAN:** Thank you, Senator Kolterman. I'm sorry.

**CRAWFORD:** Thank you, Senator Erdman. So I'm just trying to get my hands around what "destroyed" means. So this is like we have somebody, if somebody drives a truck into my house?

**ERDMAN:** Well--

**CRAWFORD:** Or is, or is destroyed--

**ERDMAN:** It need-- I believe that destroyed, and I don't know if there's a definition somewhere in the statutes, but destroyed to me would mean unlivable, nonfunctional, can't use it. And that's all those properties that I've seen that were in that state were exactly that.

**CRAWFORD:** Thank you.

**ERDMAN:** They either burned up, tornado blew them away or-- now, take for example my house. When the tornado destroyed my neighbor's property, they were just a mile west to me. We had \$46,000 damage to

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our house, but it was always livable. We boarded up the windows and we were able, we were still able to live there. I wouldn't be eligible for that because my house was still, I could still occupy the house.

**CRAWFORD:** Thank you.

**LINEHAN:** Thank you, Senator Crawford. Other questions? Thank you, Senator Erdman. You'll stick around to close?

**ERDMAN:** Yeah.

**LINEHAN:** OK. Proponents? We have any proponents? Do we have any opponents? Good evening.

**TOM PLACZEK:** Good evening, Chairwoman Linehan and members of the Revenue Committee. My name is Tom Placzek, T-o-m P-l-a-c-z-e-k, I am the Platte County Assessor, Columbus' county seat, and I'm representing the Nebraska Association of County Assessors. The opposition by assessors to this bill is unanimous from everybody that contacted me, and it's for a couple of reasons. One of the first reasons is that, something that Senator Crawford referred to, is and it's line-- on the very first page, line 9: it shall be the duty of the county assessor to report to the County Board of Equalization all real property in his or her county that becomes destroyed. In most cases, we don't even know. We don't have zoning in Platte County so, unless somebody would report it to us, we may or may not know. We've had people tell us three years ago, oh, that burned down three years ago. I had no idea. We try to find all this stuff as best we can, but believe me, to be on, on top of this and be liable for this is, I think, asking too much. I think it should be on the owner of a property to report an issue that's come through. And as far as a natural disaster I guess, senator may have answered this partially. He's-- my understanding now is what he's saying is it has to be 100 percent destroyed. So you're talking about a complete fire. We had a house burned down that the basement is intact, no water damage. And it was the house was basically destroyed but they they sold the property for the lot plus the value of the basement. Does that qualify? I'm not sure. And the biggest issue besides our responsibility, is the fact that this, because of the late date of this reporting going into October, this really runs afoul of scheduling and our calendar. In August, we're, we're supposed to be sending information to the state so that they can certify-- we're certifying to all the authorities what our valuations are going to be. This could have some great effect, could run problems for figuring TEEOSA, some other issues like

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that. So that late date I think really, really causes an issue. And the three minutes is up. I will stop right there.

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

**CRAWFORD:** Thank you, Chairman Linehan. So I'm not finding it quickly, but what date is a more appropriate date?

**TOM PLACZEK:** Well, earlier LB512 was brought up, that was a cleanup bill earlier this year. And it has issues, but that's like a July 1 date. That works certainly a lot better than an October 1 date, and the assessor is not responsible for the reporting. So that's at least more amenable to us.

**CRAWFORD:** July 1?

**TOM PLACZEK:** Yeah. It still causes problems with with when you get in the 30 days, 30 days notice for a protest, things like that. So there are issues that come out. It also comes in to-- I can envision a place where somebody had a fire, we don't know about it, they tell us about it sometime later. By that time it could be gone. We don't know whether it was still there. We have to take the owner's, I guess, word that it was actually destroyed. We don't know because we weren't there, we didn't know about it. You know it could be taken care of. So we don't know one way or the other. I'm not saying people lie, but people lie. So that's happens to us all.

**CRAWFORD:** Well, somebody, if somebody reported it, wouldn't you just go visit that property.

**TOM PLACZEK:** If they reported it at that time. But if you get it down to that July 1 date, really close to that, then you start running into issues for we've sent out notice already. Then you have to do another 30 days. After that you have to go out and see them, see the property, see what's going on. That may be a week, two weeks later. Who knows? I mean, we run into stuff all the time where in theory it works well, in application it does not as well so.

**LINEHAN:** Is that it? Thank you, Senator Crawford. Senator Groene.

**GROENE:** Homestead exemption, what's the time line on that?

**TOM PLACZEK:** Owned and occupied between January 1 and August 15.

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**GROENE:** So you can go in and file between that time period?

**TOM PLACZEK:** You have to, You have to file by June 30, and then you have to own and occupy it through August 15. So if you were to, say, sell your property by August 14, you would not qualify. You can apply and circumstances changed, you moved out--

**GROENE:** Then you get your homestead exemption for the next April, May payment right.

**TOM PLACZEK:** Right. Yeah, it would be on your tax statement come December.

**GROENE:** So what was them dates again?

**TOM PLACZEK:** You have to file between February 1 and June 30, OK? And you have to own and occupy your house through August the 15th.

**GROENE:** So between February 1 and August--

**TOM PLACZEK:** Right.

**GROENE:** Or June 30-- June, whatever, May 1. It's late. To the last day in January you can't file?

**TOM PLACZEK:** Right. Right.

**GROENE:** There's no paperwork you can get it done?

**TOM PLACZEK:** Nope, nope, it's done. It's over. You had your opportunity. You can after-- there is one. If for a medical reason you weren't able to file in time, you can-- I can't remember exactly the time frame, but you can send a letter to the board requesting a waiver so that you can have a hearing on your each situation, and that happens rarely but--

**GROENE:** Do you see any reason why something like-- we've had two or three bills over the-- more than that over the last three or four years on this situation that we couldn't somehow find a niche in the homestead exemption where people could file for this? It's going to take a year to replace it anyway, and then that's up to them to file. And their insurance company would surely tell them.

**TOM PLACZEK:** I could see some mechanism like that maybe working a little better and a little cleaner.

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**GROENE:** Because it wouldn't affect your budget--

**TOM PLACZEK:** Right.

**GROENE:** --be by state.

**TOM PLACZEK:** Right.

**GROENE:** One year.

**TOM PLACZEK:** Right. And I could see a problem for this for a, let's say, there's a tornado goes through Omaha, billions of dollars in damages. There is a lot of tax revenue all of sudden that is not available to the city for their tax base to do services and everything. The city of Pilger was, half it was gone or more. Had they not have the, the revenue, the tax base, I'm not sure what would have happened to that town. It might have been--

**GROENE:** Thank you.

**TOM PLACZEK:** They might not have got, got taken care of.

**GROENE:** Well--

**LINEHAN:** Thank you, Senator.

**GROENE:** --the other thing. At \$12,000 you're going to get my-- tell my wife we need to file before June.

**LINEHAN:** Thank you, Senator Groene. Other questions from the committee? Yes, Senator Briese.

**BRIESE:** Thank you, Chairman. It sounds like those concerns you described, they can be remedied, correct?

**TOM PLACZEK:** They can be remedied. I certainly-- I mentioned a couple of things that maybe could make it work somewhat better. This bill is, I believe, much more unworkable than what was in LB512.

**BRIESE:** Thank you.

**LINEHAN:** Thank you Senator Briese. So if I heard you right, you said that the owner should have to report it to the assessor so the assessor knows.

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**TOM PLACZEK:** Right.

**LINEHAN:** That would be one of your big causes, and then the dates?

**TOM PLACZEK:** Right.

**LINEHAN:** That's-- OK. All right, thank you for your testimony.

**TOM PLACZEK:** Thank you.

**LINEHAN:** Other opponents?

**JON CANNON:** Good evening. Madam Chairwoman, distinguished members of the Revenue Committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n, I'm the deputy director of the Nebraska Association of County Officials here to testify in opposition to LB482. I think Mr. Placzek described probably the technical aspects of the bill that we would have a problem with better than I could. But just a few other things I'd like to mention. Tom mentioned the Pilger example. I had the unfortunate duty of, of going up to Pilger shortly after that tornado had occurred. One of the things that was made abundantly clear by the ten-- by the taxpayers in that town, as well as the folks, the village clerk, and all the other taxing entities, is that essentially if, for whatever reason, that that property was all of a sudden taken off the rolls, the town of Pilger would not, would not be rebuilt. This, I heard the same arguments back when Hallam was wiped off the map in March of, I believe, 2004. And I think there are enough people here that probably remember a tornado ripping through Grand Island. If that tax base had been lost, in all likelihood, you know, Grand Island would not have been able to rebuild quite the way that it had. So that's, that's certainly, there-- those were the essential goods and services that are not going to be able to be provided because that tax base has been lost. I think that's certainly something that needs to be considered. Senator Groene, what you have discussed, described, something like a homestead, where there's a reimbursement for those persons that for whatever reason were not able to occupy but otherwise would have because of a destruction of the home, I think that's a very likely route to go that we would certainly support. You know, certainly when you have disasters of that magnitude, the state already through its Emergency Management Act has a lot of resources which are made available to spring into action to help those communities. And this would just be another part of it, another part of the funding. I know there probably would be a fiscal note attached to that. But I, I honestly think that probably would get folded into whatever we're

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spending on emergency management at this time. Senator Kolterman, to address the question that you had about property taxes being paid in arrears, just to briefly go over how the calendar works. If this is year zero, you're going to have an assessment, you're going to have the opportunity to protest it up to June 30, and on December 31 you're going to get a tax statement for year zero. And that will be due on the first day of May and the first day of September in year one. If your property is destroyed during year zero, on the following January 1 of year one then presumably you'll have a lower value on that property, and that property tax for year one would be paid May and September of year two. So just to clarify that portion. We also think that if you have a different assessment date for different taxpayers within the county, that could create a uniformity issue. The Supreme Court has ruled several times that not only is uniformity applied to valuation, but also applies to the methodology which we use, which is why we have a January 1, January 1 assessment date at 12:01 a.m. I see I'm out of time. With that, I'd be happy to take any questions the committee might have.

**LINEHAN:** Senator Kolterman.

**KOLTERMAN:** Thank you Senator Linehan. If there's an emergency, the fiscal note, if, if we, if we transfer this liability to the state through a fiscal note would, would Emergency Management money be available to pay for lost property tax revenues?

**JON CANNON:** That question I don't know, Senator. But I will find out as best I can and try to get that information to you.

**KOLTERMAN:** Because that is an option.

**JON CANNON:** It would seem to be a very viable option. And it gets the relief that we're, we're looking to the people that we want to get it to, but at the same time doesn't preclude the ability for a town that gets wiped out to be rebuilt.

**KOLTERMAN:** Could you make-- could you just say that the house is inhabitable instead of destroyed or as a result of a natural disaster?

**JON CANNON:** I think that is a--

**KOLTERMAN:** Or something of that nature.

**JON CANNON:** Yeah. And again, I want to make abundantly clear that NACO respects 100 percent exactly what Senator Erdman is trying to do. We

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just want to make sure that those mechanisms are there just to make sure that the tax bases is not impaired, but that the relief that's getting there is getting there in the proper manner.

**KOLTERMAN:** Thank you.

**JON CANNON:** Yes, sir. Thank you.

**LINEHAN:** Thank you, Senator Kolterman. Senator Groene.

**GROENE:** It's nice, that last statement, that you're not completely heartless, that you do understand.

**JON CANNON:** My mother would disown me if I was, if I was, sir.

**GROENE:** But given the example Mr.-- I can't pronounce-- Platte County Assessor said, somebody lost their house. They turned around and sold it for a lot and the basement. But when they settled the real estate closing, if they had a \$250,000 house on there they had to pay \$5,000 of the property taxes at the closing, right? And now the new owner would have a new valuation.

**JON CANNON:** So if, and I'll go back to the example I had with Senator Kolterman. Year zero, got \$250-- January 1 on year zero, I've got a house that's valued at \$250,000 sitting on the lot. May 1, it gets destroyed. I sell the lot August 1. And so the question about the proration of taxes between buyer and seller is for 2000-- for a year minus one. That will handle it, that will be handled at closing. The property taxes for year zero is going to be doing year one, and that will be the responsibility of the current owner. The person that owns the property.

**GROENE:** Yeah, the valuation is a lot less. He's going to get the advantage of the lower valuation while the, the seller still had to pay the property taxes on a house that don't exist.

**JON CANNON:** He will--

**GROENE:** I'm not talking about the statue, I'm--

**JON CANNON:** Sure.

**GROENE:** --talking about currently.

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**JON CANNON:** He will have the valuation that was there on January 1, and he will have the benefit of the lower valuation the following January 1. And so that person that buys in August, and under that example, he'll be responsible for the full property tax bill for the \$250,000 house that, as it existed on January 1 of the year in which he bought. And what will happen next is that the following year then, if there's that house is gone, that \$250,000 house is gone, then he will have the advantage of not having to pay the property taxes for a house that isn't there.

**GROENE:** So the seller will settle up, because he's a year behind.

**JON CANNON:** Yes, sir.

**GROENE:** When he sells the lot for \$20,000. But he will pay the taxes. And the new owner will have a \$250,000 house valuation after he bought it for \$200,000 in his first year?

**JON CANNON:** Well, the property taxes run with the land. And so the property-- so however the property tax, however that issue is handled in the closing documents, and that's going to be between the buyer and the seller. I would expect, Senator, that if, if that happened, if I've got a property, you know, a \$25,000 house on January 1, gets destroyed on May 1, and I sell the, the lot on August 1, I've got to imagine that I'm going to figure out how that's going to work in the closing documents. And so, and I can't speak for the buyers and sellers but, but--

**GROENE:** So the seller is going to get hit twice, because a buy-- seller isn't going to pay \$5,000 for the next year in taxes, so he's going to tell the seller: You got to pay the past one and you're going to have to knock your price down another \$5,000.

**JON CANNON:** Well, so--

**GROENE:** I think we've got a problem here.

**JON CANNON:** That, that's a potential problem, sir. And because again, the property tax runs with the land. And so what happens is, is on December 31 of that year there's going to be a lien placed against the property for whatever the value had been on January 1.

**GROENE:** We need to do something.

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**LINEHAN:** Yeah. Excuse me. Thank you, Senator Groene. Other questions? You keep saying they're due in whenever-- May and September. But in Douglas County they're due in March and July, right?

**JON CANNON:** Yes, ma'am. For counties with a population in excess of 150,000 persons, that date is shifted to April 1 and August 1.

**LINEHAN:** OK. So listening to you, you're fine with fixing the problems as long as it doesn't cost the counties any money or the cities or the--

**JON CANNON:** We want--

**LINEHAN:** You're fine if the city picks up, I mean, the state picks up the cost. Do you think there could be some kind of a compromise where if it's one house and it's not-- that gets burned down or it's one house in the county somewhere that gets taken out by a tornado the county could handle that? Versus if it's Grand Island and you lose 25, 100 houses then it would come to the state? Because we're not going to have any natural disaster money for one house or-- that gets taken out by a tornado or one house that burns down.

**JON CANNON:** Ma'am, I understand where you're coming from. Because this is, this was a position on this bill that was taken by the board for the Nebraska Association of County Officials, that's something that if we're going to talk about that I, I would probably want to at least visit with some members of the board to see what their thoughts were on that before I proceed.

**LINEHAN:** That would be nice if you could come back.

**JON CANNON:** Yes, ma'am.

**LINEHAN:** I understand if it's Pilger or it's Grand Island. But if it's one house out there, that wouldn't seem to be breaking the county if it's one property taxpayer that lost the house.

**JON CANNON:** The question always, the question always comes, ma'am, where do you draw the line? Is it, is it at five houses.

**LINEHAN:** Well, that's what a compromise is.

**JON CANNON:** Yes, ma'am. That's a good point.

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**LINEHAN:** Any other questions? Thank you for being here.

**JON CANNON:** Thank you.

**LINEHAN:** Any other opponents? Anyone in the neutral position? Senator Erdman, would you like to close? There's no letters here.

**ERDMAN:** I wasn't going to. I was going to waive. But after hearing the testimony from the county assessor, I don't think I can do that. So what he said was: We've always done it this way and we can't do it any other way. That's not true. He made a comment about it's not the assessor's job to report this, the value to the County Board of Equalization. That's not true. That's exactly what they do. The assessor comes in every year and says, this is the value and this is what we have. And they report it to the County Board of Equalization. I've never seen a private property owner walk in and say, here's my property, I'm presenting it to you. That's not what they do. That's the assessor's job. And he said, we may not know the house burned down. Well, let me tell you this. If you go out and add onto your house or, or do some additional thing to your property, the assessor knows about it because you get a notice the next year with a tax increase because your value went up. They find out about it. They check those things, especially if you're in agriculture. They check it every year. So he says about-- they can't do this, we've got to have it set in by August 1 and we got to do all these. It's because they don't want to do it. That, that aggravates when they do that. But when I hear that we can't do that. We've never done that. We can't do that. And then Mr. Cannon says it may be unconstitutional. How many times have you heard that? Every time we have a bill, somebody says, oh, this could be unconstitutional. How many bills do we pass in this Legislature that somebody says that could be unconstitutional? Until a judge, until the Supreme Court says it's unconstitutional, nobody really knows. But those are the issues that they bring up. So they talk about a community, losing the whole community in a tornado, and they may have to make some adjustments in their spending. Well, what do you think the people that lost their houses had to do? The people that lost their houses had to do something, right? They had to make adjustments. They took a loss. But now, if we're elected official and we get property tax, we surely can't take less one year because something happened. And then the assessor talked about there's no provision in there for a 30-day notice. Well, I'll tell you what, on the backside of our fiscal note it talks about that. It says: The notice of the value determined by the County Board of Equalization

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will be sent to the owner of the record of the last known address, and protest of any such value must be filed within 30 days to the County Board of Equalization. They can do that. And then it goes on to talk about what happens then. They can appeal to TERC. There is a provision for doing it after the deadline that they normally have. But remember, we've never done this so we can't do this. And I would tell you the story about the little girl that wants her mom to cut the ham off and put it in the oven, but it's late. And last time I was here, I said something quotable and funny, and I haven't been able to think of anything. But what I'm trying to tell you tonight is this is common-sense legislation, and people who have destroyed property have to make decisions on how they spend their money and what they spend it on. And the communities that don't collect the revenue that they normally do will have to make a tough decision sometime. This a common-sense piece of legislation that needs to move and we need to do some things for people once, once in our life that shows some compassion for how they pay taxes. And I'm disappointed that every bill I bring up, almost every bill, the assessors association or somebody comes running in here from NACO and says, oh, we can't do that. I'm tired of hearing we can't do that. Whatever happened to saying, let's see what we can do and get this done? I appreciate your time.

**LINEHAN:** Thank you very much, Senator Erdman. With that, I think we'll call it a night. And LB482 comes to a close.