

Transcript Prepared by Clerk of the Legislature Transcribers Office

Floor Debate May 5, 2021

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HILGERS: Good morning, ladies and gentlemen. Welcome to the George W. Norris Legislative Chamber for the seventy-second day of the One Hundred Seventh Legislature, First Session. Our chaplain for today is Senator Hilkemann. Please rise.

HILKEMANN: Good morning. Would you rise? Good morning, Lord. Good morning, Nebraska. Good morning, colleagues. As I was driving down this morning, I turned my Pandora to a station of gospel hymns. What a pleasure. What a strength to listen to some of those marvelous old hymns: Blessed Assurance; O for a Thousand Tongues to Sing; A Mighty Fortress is our God; Amazing Grace; Praise Him, Praise Him; Holy, Holy, Holy. I thought about those wonderful hymns and how they have strengthened people and us and encouraged us through so many things, through so many trials. And this has been a tough year. And I think how much I personally have missed singing during this pandemic. I'm looking forward so that we can be back to singing those great songs. I'm grateful that we are maybe turning the corner, getting better with this COVID. Lord, we just ask that we continue to progress. Colleagues, as we enter into these last 18 days, we have full agendas, many demands on our time, energy and thought. As those hymns of old provided strength and courage, I ask that God grant us stamina for the hours ahead, courage to make tough decisions, wisdom to discern, and a comradeship and a collegialism [SIC] that we can work together for the benefit of all Nebraskans. We ask for this strength so that we can keep the citizens of Nebraska foremost, and helping them live their daily lives and face their challenges as well. With our leadership, we can help Nebraska. Not only sing the old songs, but new songs. Songs of gratitude, strength, giving. You, oh, Lord, that we may give you the honor and the glory. Amen.

HILGERS: Thank you, Senator Hilkemann. Senator Williams, you're recognized for the Pledge of Allegiance.

WILLIAMS: Please join me in the pledge. I pledge allegiance to the flag of the United States of America and to the republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

HILGERS: Thank you, Senator Williams. I call to order the seventy-second day of the One Hundred Seventh Legislature, First Session. Senators, please record your presence. Roll call. Mr. Clerk, please record.

ASSISTANT CLERK: There is a quorum present, Mr. President.

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

ASSISTANT CLERK: No corrections this morning.

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

ASSISTANT CLERK: Mr. President, I have no messages, reports or announcements this morning.

HILGERS: Do you have any personal announcements this morning?

ASSISTANT CLERK: Senator DeBoer has a personal announcement.

HILGERS: Senator DeBoer, you are recognized for a personal announcement.

DeBOER: Thank you, Mr. Speaker. Good morning, colleagues. Just wanted to make an announcement here that it is the birthday of one of our newest colleagues. Senator Bostar's birthday is today. I don't see him here yet, but happy birthday, Senator Bostar.

HILGERS: Thank you, Senator DeBoer. Turning to the first item on this morning's agenda, agenda, General File appropriations bill. Mr. Clerk, first bill.

ASSISTANT CLERK: Mr. President, the first bill this morning, LB39A, introduced by Senator Lindstrom. It's a bill for an act relating to appropriations; to carry out the provisions of LB39.

HILGERS: Senator Lindstrom, you are recognized to open on LB39A.

LINDSTROM: Thank you, Mr. President. And good morning, colleagues. LB39A is the appropriation bill to LB39, that was moved to Select File on April 21. With the approval of Senator Flood's AM373 on General File, \$300,000 shall be appropriated from the supports-- Support the Arts Cash Fund to the Nebraska Arts Council for fiscal year 2022 and 2023. I would encourage a green vote on LB39A on Select File, so it can catch up with LB39. Thank you, colleagues.

HILGERS: Thank you, Senator Lindstrom. Debate is now open on LB39A. Seeing no one in the queue, Senator Lindstrom, you're recognized to close. Senator Lindstrom waives closing. The question before the body is the advancement of LB39A to E&R Initial. All those in favor vote aye; all those opposed vote nay. Have all those voted who wish to? Please record, Mr. Clerk.

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ASSISTANT CLERK: 27 ayes, 3 nays on the motion to advance the bill.

HILGERS: LB39A is advanced. Next bill.

ASSISTANT CLERK: Mr. President, LB306A, introduced by Senator Brandt. It's a bill for an act relating to appropriations; to carry out the provisions of LB306.

HILGERS: Senator Brandt, you're recognized to open on LB306A.

BRANDT: Thank you, Mr. Speaker. Happy Cinco de Mayo, Nebraska. That's today also. So good morning, colleagues. This is the A bill for my LIHEAP bill, LB306, which is to expand eligibility to the low-income home energy assistance program from 130 to 150 percent. The fiscal note has been revised to reflect federal funds being received from the American Rescue Plan Act. There will be no state fiscal impact until fiscal year '22-23. I would like to thank Liz Hruska in the Fiscal Office who worked with me on the bill and did a lot of research on federal funding for LIHEAP, and revising the fiscal note to reflect that. With that, I would appreciate your green vote on LB396A [SIC].

HILGERS: Thank you, Senator Brandt. Debate is now open on LB306A. Seeing none one in the queue, Senator Brandt, you are recognized to close. Senator Brandt waives closing. The question before the body is the advancement of LB306A to E&R Initial. All those in favor vote aye; all those opposed vote nay. Have all those voted who wish to? Please record, Mr. Clerk.

ASSISTANT CLERK: 28 ayes, 2 nays on the motion to advance the bill.

HILGERS: LB306A is advanced. While the Legislature is in session and capable of transacting business, I propose to sign and do hereby sign the following LRs: LR108, LR109, LR111, LR112 and LR113. Next bill, Mr. Clerk.

ASSISTANT CLERK: Mr. President, LB485A by Senator DeBoer is a bill for an act relating to appropriations; to carry out the provision of LB485.

HILGERS: Senator DeBoer, you are recognized to open on LB485A.

DeBOER: Thank you, Mr. President. Good morning again, colleagues. I rise today to ask for your green vote on LB485A, which appropriates the funds to carry out the provisions of LB485. As you will recall, LB485 expends child care subsidies until October 2023, using only federal ARPA-- federal dollars, including the ARPA dollars. The LB485A

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appropriates these federal funds to the Department of Health and Human Services for this purpose. Thank you, and I ask for your green vote on LB485A.

HILGERS: Thank you, Senator DeBoer. Debate is now open on LB485A. Seeing no one in the queue, Senator DeBoer, you are recognized to close. Senator DeBoer waives closing. The question before the body is the advancement of LB485A to E&R Initial. All those in favor vote aye; all those opposed vote nay. Have all those voted who wish to? Please record, Mr. Clerk.

ASSISTANT CLERK: 25 ayes, 5 nays, Mr. President, on the motion to advance the bill.

HILGERS: LB485A is advanced. Next bill.

ASSISTANT CLERK: Mr. President, LB566A by Senator McDonnell. It's a bill for an act relating to appropriations; to carry out the provisions of LB566.

HILGERS: Senator McDonnell, you are recognized to open on LB566A.

McDONNELL: Thank you, Mr. President. Good morning, colleagues. As we discussed yesterday on LB566, this is the A bill, I committed yesterday to work with the Speaker, work with Senator Stinner and also work with the Governor's Office on how we can improve LB566 between General and Select. And that is specifically about the amount of money coming out of the General Fund and also from the, the rescue plan coming from the federal moneys that we should have more information on after May 15, based on rules and regulations and the first tranche of money coming to our state. So I'd appreciate a green vote today, and I will commit to work with the Speaker and the Governor's Office between General and Select. Thank you.

HILGERS: Thank you, Senator McDonnell. Debate is now open on LB566A. Senator Groene, you are recognized.

GROENE: Thank you, Mr. President. Just to remind Senator McDonnell, he better work with some of his senators too, that have a concern about \$100 million and \$25 million of state appropriations. So I will gladly work with him also. Thank you.

HILGERS: Thank you, Senator Groene. Senator Friesen, you are recognized.

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FRIESEN: Thank you, Mr. President. Again, I just want to talk a little bit about how we're going to spend \$100 million, and whether or not that fits the priorities that we should be looking at, whether or not we're going to be able to help some of the restaurants and some of those industries that got damaged during this COVID period and that were not made whole or even attempted to make it so they can survive. We've had a lot of businesses close, restaurants, hotels, those types of tourism industry. And go down that long list, and here we're probably looking at funding projects that could still be very viable projects through donations of people that through COVID didn't get laid off, their businesses didn't suffer. They applied for payroll protection money and numerous other programs and so they're, they're sitting, I think, pretty good right now. Because you can see from our revenue stream that's coming of the state that the damage that everyone anticipated didn't happen. So I think, again, these, these nonprofits, their donations to those nonprofits are going to probably continue to go up this next year because a lot of these businesses did not get damaged and those donations are going to continue and these projects could proceed on their way without help from that. And whether or not this is a priority of what we should be doing with our money. Thank you, Mr. President.

HILGERS: Thank you, Senator Friesen. Seeing none one else in the queue, Senator McDonnell, you're recognized to close.

MCDONNELL: To follow up on what we discussed yesterday and Senator Friesen's concerns and others, the idea of the economic impact, not only what they're, they're doing for their communities and the help these 501(c)(3)s are giving and the 90,000 people they employ and then the \$4 billion a year payroll, but for the venues, and I'll break this down and hand it out later on, is that for every dollar invested in some of these venues, there's a \$12 return. And that's based on the hospitality industry. So it is going to help a number of people. And I appreciate your green vote, and I've committed to work on improving this bill between General and Select. Thank you, Mr. President.

HILGERS: Thank you, Senator McDonnell. The question before the body is the advancement of LB566A to E&R Initial. All those in favor vote aye; all those opposed vote nay. Have all those voted who wish to? Please record, Mr. Clerk.

ASSISTANT CLERK: 25 ayes, 8 nays on the motion to advance the bill, Mr. President.

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HILGERS: LB566A is advanced. Turning to 2021 senator priority bills, General file. Mr. Clerk.

ASSISTANT CLERK: Mr. President, LR11CA, a proposal introduced by Senator Erdman. It is a proposed constitutional amendment to prohibit the state and political subdivisions from imposing an income tax, property tax, an inheritance tax, an estate tax and a tax on retail sales of goods and services; and provide for a consumption tax. The bill was introduced on January 7, referred to the Revenue Committee. That committee placed the bill on General File with no amendments.

HILGERS: Senator Erdman, you are recognized to open on LR11CA.

ERDMAN: Thank you, Mr. Speaker, and good morning. This is the day that we have been waiting for a long time in the state of Nebraska, and I appreciate the Speaker putting this up today. I want to thank the Revenue Committee for having the foresight to bring the discussion to the floor about the fix for our property tax problem, income tax problem, as well as the inheritance tax and all the taxes that we now currently collect that are regressive. I do appreciate that. I want to thank those who cosigned or cosponsored this as well. And I want to give a special thank you to Tim in Senator McDonnell's office for his help with this, as well as my staff, Joel. I would be remiss if I didn't thank Rob Rohrbaugh [PHONETIC] and Mark Bonkiewicz, Ed Trumper [PHONETIC] and Paul Van Buren. Those people have been-- those [INAUDIBLE] very helpful. Let me give you a little history of how we got here and why we're here today doing this. In 2017 when I became a senator and I came here for the first session, at the end of the session, we had done absolutely nothing for property tax relief. So on May 23 of '17, I had a press conference in the Rotunda and asked anyone interested in property tax relief please step forward to help me. Senator Friesen and several other senators, Senator Groene and several other people, 30 or so, stepped up and we developed a petition drive to lower property tax by 30 percent. We knew that the 30 percent reduction in property tax was not the answer. We had hoped that that was the mechanism to start the discussion how to fix our tax problem. In May of '18, that petition was stopped for whatever reason, I don't know. And so then in '19, we started another petition to lower property tax by 35 percent, and that petition was halted by COVID. Neither one of those two were the solution. This LR11CA is the solution. And so after the last petition drive stopped, we began to search out ideas on how we may solve the issue that we've been dealing with for 54 years. A gentleman showed up in my office named Rob Rohrbaugh [PHONETIC] with an idea of a consumption tax. I then invited Senator Halloran and McDonnell to join me for the presentation. It

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didn't take long before we all three discovered that this is the solution that we've been looking for. And so this morning, I'm going to describe to you what the consumption tax will do. And as I have said many times on the floor of this Legislature, the reason our tax system is broken, the reason our taxes are so high is because we've lost our focus and we don't focus on those who pay the taxes. And we have always continued to focus on those who collect and spend the taxes. So what the consumption tax does, it focuses on those who pay the taxes. And just let me say this, under the consumption tax, you can never, never be over taxed, because you decide how much taxes you pay and when you pay them. And so for the sake of those of you in this body that may think because Erdman brought this bill, this is probably something I can't support. And there are some people like that, I believe, and that's, that is the way it is. I understand that. But by the same token, I heard hundreds of times in the last 30 days, almost every one of you that spoke about property tax said someone needs to have a solution for the problem that we have in our tax system. This is a solution. You may not like the person who introduced it. You may not think that this is the solution. But as I described to you what it will do, and those listening today in Nebraska, when they understand what it will do for them, the taxpayer, they'll be very excited and very enthusiastic about this, this concept. So over a period of time, we have decided that we needed another opinion or two on whether this will work. And so I've reached out to two significant or three significant parties to help us, and that is the Beacon Hill Institute. They did the research for us on it to see what the base would be and the percentage of the tax would be. Also, Dr. Ernie Goss from Creighton University, Stephen Moore has, have been here and spoken with us, and Art Laffer and Associates have put together a review of Nebraska's tax system. Because of the lateness of the game, when we encouraged or engaged these gentlemen, we haven't had a full dynamic study of the consumption tax. But let me share with you a couple of comments that Art Laffer has put together for us. And for those of you who don't know, Art Laffer talked to Senator Stinner, he'll be able to share with you who Art Laffer is. But Art Laffer was the author of Prop 13 in California several years ago. Art Laffer was also an adviser to Ronald Reagan on his tax cuts. So Art Laffer is a nationally renowned economist, supply economist that understands taxes and understands what regressive taxes do to states. And so Art says in his comments that he wrote for us, he says: Eliminating Nebraska's highly progressive and high-rate income tax will have a very significant positive effect on the growth and prosperity in this perspective-- and the positive effects will only increase over time as you eliminate property tax. Nebraska's termination of a sales tax to

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the extent it is offset by the consumption tax should have no major impact on Nebraska's performance. So what he's saying is we eliminate the sales tax and replace the consumption tax, there will be no reduction in revenue. Elimination of the state's corporate tax should be a significant stimulus to the state's economy. In addition, the consumption tax will take-- will partially offset the benefits, but only partially because the net tax effect of a highly progressive state tax is not a good situation to be in. And our state is a high-tax state. The state should experience significant reduction in total cost, the private sector plus government sector of complying with new consumption tax, which in turn will only improve the state's prospects and should add 5 to 10 percent savings to the state, 5 to 10 percent. And if some of you had an opportunity to view the Zoom meeting that we had last Monday, you will have had, have an opportunity, you would have seen that Dr. Laffer says about 30 cents of every dollar collected is spent on collection and filing. And so it is a significant reduction in what it costs us to file our taxes by imply, implying the consumption tax. And it goes on to say: Better and more efficient economic performance should lead to a major reduction in government spending due to efficiencies, prosperity, growth and less need for state support. In this regard, state spending should fall to at least a 10-percent reduction, 10 percent. All in Nebraska, this is the right thing to do to, to major-- to fix the major wrongs of the past and setting the stage for a brighter future for the state of Nebraska. Currently, our tax system is set up that we are racing to the bottom. And I have given you a-- I've handed, I've handed you out a map, and I'd like you to look at that, if you would, on the, on the side where the colored map of the United States is, you will see Nebraska is in white. And the states in red, those are the states that are gaining people from the adjust, adjusted gross income. Those states are gaining residents from Nebraska. And there are very few states that are sending people to Nebraska. And some of those states are Alas-- Alaska, maybe one person from Hawaii, a couple from North Dakota, perhaps because it was cold. And we all know why they're leaving Illinois and New York. And so when you flip that over and you look on the back side, that's a pretty graphic description of what's happening in Nebraska. The top line is a projected state budget number A, and on B, it is Nebraska's retail sales base sales tax we currently collect now is, is line B. Line C will be the consumption tax base if we remove all the exemptions and add services. Line D would then be the Nebraska retail sales exempt from sales tax. So what we're, what I'm saying in that graph is that line D is how many sales tax base is now exempted from collecting sales tax because of past exemptions.

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HILGERS: One million.

ERDMAN: Thank you. And then line C, taxing income to, to be revenue neutral, the rate is 9.8 percent times 11-- \$111 billion, and I will go into that, how we arrived at that later on my next time at the mike. But those are the, that's the information. We lose people because we have a, we're a high-tax state and we aren't gaining in, in reverence to the competition we have from those states that are a low-tax state. Thank you.

HILGERS: Thank you, Senator Erdman. Debate is now open on LR11CA. Senator Slama, you are recognized.

SLAMA: Thank you, Mr. President. I yield my time to Senator Erdman.

HILGERS: Senator Erdman, 4:55.

ERDMAN: Thank you, Senator Slama. Thank you, Mr. Speaker. So heading down the road then and talking about other things that Art Laffer had commented in his, in his document that he sent to us, it says: Any measure of prosperity where the number of people is the denominator, such as income per capita or the unemployment rate, makes little or no sense when people can move where income and jobs are located or jobs or income can move where people are located. So we have a situation where, as we've all heard on the floor of the Legislature, we have a brain drain where young people are graduating from college and leaving the state because of our tax system. And so consequently, we are not gaining population because we're a good place to live, we may be gaining because people like living here because of close to relatives or some other reason. And so we have not done well as far as recruiting people to move to the state. So he went on to talk about states and, and how they tax people and what it means to the local government as well as people who reside here. And he said that states and local government economic policies redistribute income, or do they redistribute people? That was a question he asked. And the answer was the difference among the states that re-- that respect-- with respect to taxes, school choice or right to work laws, minimum wage, as well as other cultural factors indicate that states that are getting more population, that are against-- advancing are those who have a better tax structure. And he went on to say about Nebraska's corporate income tax, as well as its personal income tax, and he said Nebraska is racing to the bottom because of our tax system. So we all know now, and we've heard it for years that our tax system is broken. It's been widely discussed. We've had hundreds of bills introduced over the last 54 years to deal with our tax problem. We've had, as Senator Wayne

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alluded to yesterday, we've had 23 bills to adjust TEEOSA and we continue to put a Band-Aid on an amputation. And so as we look at what has happened over a period of years and we continue to do what we've always done and expect different results, this is an opportunity for us as Nebraskans to vote into our Constitution a consumption tax, which means we will collect a consumption tax only on new goods and services. And some have asked, isn't a consumption tax basically a sales tax? Well, let me give you my definition of how you determine the difference between a sales tax and a consumption tax. A consumption tax is collected one time on new goods for consume-- consumption and services once. A sales taxes collected every time something sells. Case in point, you buy a new set of clothes, there's consumption tax. You buy a used set of clothes, there's no consumption tax on the used clothes. So new goods are taxed and used goods are not. And so that is the difference between a consumption tax and a sales tax. And as I said in that slide, we currently have a base of about \$49 billion that we collect sales tax on. And if we remove all the exemptions and we add services, that base will go to about \$128 billion. And Senator Moser and I have had several discussions about the consumption tax, and this question is always the same, and I appreciate his question: If I am going to pay less taxes, who is going to pay more taxes? And the answer is when you change the base from \$49 billion to \$125 or \$128 billion, everybody pays some. And so when we put this in place, it will be a fair tax, as I said earlier, because you will not--

HILGERS: One minute.

ERDMAN: --be taxed above what you're able to pay. So as we move through the discussion and we have questions, I would hope that I would be able to answer the questions that you have. And if I can't answer the questions, I've learned a long time ago the best answer is, I don't know. I will get back to you when I discover the answer. So making something up is not what I'm here to do. What I'm here to do is share the facts with you, try to answer your questions in a way that I can so that you'll understand what it is we're trying to do. Thank you, Mr. Speaker.

HILGERS: Thank you, Senator Erdman and Senator Slama. Senator Halloran, you're recognized.

HALLORAN: Thank you, Mr. Speaker. Good morning, Nebraska. Good morning, colleagues. Thank you, Senator Erdman, for proposing the consumption tax for the state of Nebraska. I would never have guessed or thought in my life that a proposed tax would be stimulating to our

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economy. Excuse me, Mike. Would be, would be stimulating to our economy. But clearly, once the facts are shown and, and the data is already clear, Nebraska is not very competitive with our, with the other 48 states in regard to our tax structure. So I thank you, Senator Erdman, for bringing this proposal. Recently, we all received an email from a lobbying firm, which I will not identify, which questions concerning LR11CA. I would like to walk through the issues raised in this email. I won't be able to do it in just five minutes, but we'll do it later, or the questions may be answered during this, this debate. Would Senator Erdman yield to some questions?

HILGERS: Senator Erdman, will you yield?

ERDMAN: Certainly.

HALLORAN: Thank you, Senator Erdman. Senator, you sponsored LR11CA within the designated period for sponsoring bills, the first 10 days of session, correct?

ERDMAN: Say that again, sir.

HALLORAN: You sponsored LR11CA within the designated period for sponsoring bills, the first 10 days, correct?

ERDMAN: Correct.

HALLORAN: The Revenue Committee subsequently held a hearing on LR11CA on February 3, correct?

ERDMAN: That's correct.

HALLORAN: Since dropping the bill in January and the hearing in February, have you had any phone calls or office visits from this firm that sent us the email concerning the details of a consumption tax as proposed in LR11CA?

ERDMAN: Senator, I have had no contact with anyone. And not only that firm, but any others have not contacted me. But it appears that they all have all the answers because they never did ever ask the questions.

HALLORAN: OK, it does appear, and I think you would agree, that it would have been helpful and informative for this firm and any firm that has questions on this consumption tax, to raise the questions with you personally.

ERDMAN: Correct.

HALLORAN: Senator, if you don't-- if you're willing, and I know you are, can we walk through the expressed concerns in this email?

ERDMAN: Yes.

HALLORAN: The first first concern was the, this proposal would, while bold, is fraught with myriad of problems and pitfalls which should have been addressed before such legislation is concerned-- considered by the full Legislature. Proponents of the measure have stated that it is not their responsibility to determine the details of implementation of this new tax structure. We respect-- respectfully disagree and assert that because of the burden of the Legislature to implement such a change, the details should be considered in concert with the overall structure change. And that's from the email. Can you address some of that for us, please?

ERDMAN: Well, one of the things that happened and happens is when people make an assumption of what this is going to do, then they make correct-- incorrect assumptions about how it's going to be implemented. The consumption tax will have no effect-- those people that signed on the bottom of that, that page, most of those people are retail people and they fail to understand there will be no business-to-business transaction fee. So the only people that will even collect a consumption tax are those who offer a service or they're selling something to a consumer. So if it's a retail business, a supply business is selling to a retailer, they won't have any consumption tax at all. One of the other things they fail to realize is that when the income tax, the property tax and the corporate income tax goes away, those were issues that they're going to be-- see to be their advantage because they won't have those taxes to pay, to hide those taxes in those products that they they sell to the consumer. And so all of those things that they have mentioned there have absolutely no validity at all to the consumption tax. But they've made an assumption, and we all know what happens when you assume.

HILGERS: One minute.

HALLORAN: OK, thank you, Mr. Speaker. They also ask, this suggests that with an estimated rate of 10.62 percent, which is off by their statement, it would be the highest consumption tax in the nation. To my knowledge, there is no consumption tax to compare this to. Further, it allows for additional local consumption tax, which would bring the overall rate even, even higher. So they're asking, they're suggesting

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that the details haven't been worked out. And I know you've been working on those details, and I know we'll--

ERDMAN: Right.

HALLORAN: --hear from those, from you on those details as this goes on.

ERDMAN: Let me, let me start with this. The consumption tax rate of 10.62 was the original first rate that Beacon Hill did when they did the study. And then in December of '20, we had a meeting with Beacon Hill and asked them to review their information because the first analysis was inclusive of all--

HILGERS: That's time, Senators.

ERDMAN: Thank you.

HILGERS: Thank you, Senators Erdman and Senator Halloran. Senator Clements, you're recognized.

CLEMENTS: Thank you, Mr. President. I stand in support of LR11CA. This is a type of proposal I've been interested in many years. There was a national effort called the Fair Tax a number of years ago that I always thought was a good idea. And I, I guess it's time for Nebraska to lead since the nationally-- federal didn't ever adopt this. But I believe that the LR11CA belongs on the Nebraska ballot to let taxpayers decide how they are taxed. Currently, the Legislature decides how people are taxed, or maybe city councils. And I believe it's time for the taxpayers to have that opportunity. Got several reasons. A consumption tax is designed so low-income citizens will pay fewer taxes than they currently pay. At the beginning of each month, all citizens will receive a monthly allowance or prebate to pay for the consumption tax on food, clothing and shelter up to the national poverty level. The monthly check will be based on the amount of dependents living in that family on January 1 each year. And there's no consumption tax paid on used purchases of cars, furniture and clothes, so this would help low-income families and all families save dollars on those purchases. Second, middle-class families who own homes will be saving \$50 to \$100, \$250 a month in real estate taxes, and they'll save on personal property taxes of \$20 to \$80 a month for the vehicles they own. Third, savings will be rewarded. When I first heard about this as a banker, I thought, oh, savings accounts, you'll be able to save more money through elimination of the state income tax, and especially inheritance tax, and will have real incentives to

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earn more money, to invest more money and grow your net worth. Consumption tax is easy to understand. It's simple. Citizens decide when they'll pay the tax by when they purchase things, and especially it's going to eliminate the following. It repeals the state income tax, include-- including capital gains tax, the real estate taxes on all real estate, personal property tax on vehicles and business equipment, and state and local sales taxes and estate inheritance tax, which is something I've had a bill to try to eliminate. And I'd rather just do it this way. With that, Mr. President, I yield the rest of my time to Senator Erdman.

HILGERS: Senator Erdman, 2:00.

ERDMAN: Thank you, Mr. Speaker. And thank you, Senator Clements. As I said earlier last week, we had a video Zoom meeting with Dr. Laffer, Dr. Goss and the Beacon Hill Institute. And on the, on the Zoom meeting, it was an opportunity for us to ask questions of Dr. Laffer and Dr. Goss and Beacon Hill on how they arrived at the consumption tax rate that they did. And as they walked through what the consumption tax will do, Senator Clements described to you some of those things that are going to be an advantage to the consumption tax model. And so a medium family, an average family of four in the state of Nebraska, under the current consumption tax rate, their effective rate after the prebate is going to be about the same, about 5.5 percent, the same as our current sales tax for the state. Now, imagine--

HILGERS: One minute.

ERDMAN: Thank you. I imagine if you are a family of four and you have a mortgage and you have other things that you're paying and you're paying \$4,000 or \$5,000 a year in property tax plus income tax, and going forward when the consumption tax goes into place, all you pay is 5.5 percent on those things that you consume or services you hire, that will put you in a better place. And so basically, what will happen with the consumption tax, nobody will pay any taxes at all until they spend past the poverty level times the consumption tax rate according to their filing status. So in other words, an individual, the poverty level for an individual is \$12,700, and so until an individual spent more than \$12,700, they pay zero, zero taxes. And currently in the system that we have now, someone making \$12,700, if they eat in a restaurant, if they buy clothes or whatever they do consume, now as sales tax attached then they pay that. Under the consumption tax model--

HILGERS: That's time, Senator.

ERDMAN: Thank you.

HILGERS: Thank you, Senator Erdman and Senator Clements. Senator Williams, you're recognized.

WILLIAMS: Thank you, Mr. President. And good morning, colleagues. I rise this morning to talk about one of the most important industries in our state, the insurance industry, and what the consumption tax would do to the insurance industry. I also would point out that the insurance industry has spoken to Senator Erdman and others concerning their support for the consumption tax. I didn't really realize how important the insurance industry is to our state until I became a member of the Legislature and have worked with the Banking, Commerce and Insurance Committee. We have 113 insurance companies that have domesticated to the state of Nebraska. Those include a lot of companies that you will recognize the names, of course, the Berkshire companies, Pacific Life, Aflac, MetLife, Physicians Mutual, Great West, Geico, Ameritus, Assurity, Farmers Mutual, Blue Cross Blue Shield of Nebraska, and many others. Actually, Nebraska ranks number one in all the states of insurance surplus with \$261 billion, number two in insurance job concentration, and number three in the nation of insurance assets at \$712 billion. Nebraska insurance companies employ over 14,000 people in our state, and these are high-wage, high-skill, high-demand jobs. If you include insurance agents, the number increases to over 40,000. Why does this happen? Why have we been able to attract these companies to our state? Part of it has to do with our current tax structure and our fair but low premium tax. Also, it deals with the fact that we have thoughtful and consistent regulation. Let me explain a little bit about what premium tax is. All insurance companies are subject to taxation on the premiums they charge their Nebraska consumers. The tax is generally 1 percent. Other states also have a premium tax. So when a company in Nebraska that is domiciled here sells insurance in another company-- in another state, they pay a premium tax there. States vary on their premium tax rates from as low as half a percent to up close to 4 percent. Most of them are in the range of 2 to 2.5 percent. In addition to that, though, we have what's called a retaliatory tax. Nearly all states have established a retaliatory tax. This tax allows a state to charge the tax rate of the insurer's home state if that home state's premium tax rate is higher than the state where the insurance is sold. Let's go through an example. As I mentioned, Nebraska has a 1 percent premium tax. Alabama has a 2.3 percent premium tax. So if Nebraska, a Nebraska-domiciled company sells insurance to someone in Alabama, they will end up paying

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a 2.3 percent tax, the 1 percent tax for Nebraska, plus a 1.3 percent retaliatory tax. Why is this history important, and what would happen if we exchanged it for a consumption tax? The answer is simple and easy, it would be disastrous and actually destroy the insurance industry in Nebraska. Consumption tax would effectively raise our premium tax to 10 percent. What would 10 percent do if we had an example? With a 10 percent premium tax in Nebraska, any Nebraska company selling to an insurer--

HILGERS: One minute.

WILLIAMS: --in Nebraska would pay the 10 percent. But also think about the fact that many of our companies sell lots of insurance in other states based on the retaliatory tax concept. They would also pay 10 percent consumption tax, or now premium tax or retaliatory tax, in all of those states. When I am back on the microphone, I will tell you more about how this ends up affecting the industry and their bottom line and would cause this industry to leave our state. Thank you, Mr. President.

HILGERS: Thank you, Senator Williams. Senator Kolterman, you're recognized.

KOLTERMAN: Thank you, Mr. President. Good morning, colleagues. I plan on sharing my time with Senator Williams so he can finish his remarks, but I'm going to do a lot of listening as we talk about this, because I, I spent an, a lifetime and the insurance industry. And just, just to give you an example, in recent years, because of, because of our efficiently run Department of Insurance and our tax model for insurance companies in the state of Nebraska, we have picked up companies like Aflac. Anybody hear of them? Geico, they're coming to the state of Nebraska and they're going to domicile in the state of Nebraska. Those are the good-paying jobs, high-quality paying jobs that we're looking for in this state. Pacific Life out of California. So we brought companies from from the east, from Atlanta, from, from the west coast to Nebraska so they could domicile their companies in the state of Nebraska. That's, that's important stuff for this state when it comes to economic development and high-paying jobs and good-quality people that are coming to this state to work. In addition to that, they do pay the premium tax. So with that, I would, I would give the rest of my time to Senator Williams so he can finish his remarks. But as I said, I'm anxious to hear more about this consumption tax and, and willing to listen. Thank you.

HILGERS: Senator Williams, 3:30.

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WILLIAMS: Thank you, Mr. President. And thank you, Senator Kolterman, for yielding me the time. Going on with the discussion of how consumption tax would affect insurance companies, if you look right now, Nebraska-based insurance companies have gross premiums written nationwide of \$135 billion annually. Nebraska insurance companies currently pay premium tax on all of that, equal to \$3.4 billion. Now, they also pay income tax, sales tax and property tax. If Nebraska companies were to have to deal with consumption tax, their premium tax would, in essence, go up to \$13.5 billion. That is an annual increase for these 113 companies that have chosen to domicile in Nebraska, it's an annual increase of \$10.1 billion per year. What is the effect of that going to be? It destroys the industry, and those companies will have no choice but to domicile somewhere else. And they can do that very quickly and very easily. And what does that mean to Nebraska? We lose those 14,000 high-paying, high-skill, high-wage jobs. We lose the property tax, we lose the income tax and we lose the sales tax from these companies. We also simply have the fact that all Nebraska consumers for every insurance product you buy will be paying the additional amount. There's simply no winners if you look at this from the insurance side. And there's no way to fix the fact that the premium tax, along with the retaliatory tax, is affected because of how they sell products in many other states. For these reasons and supporting the insurance industry, I certainly cannot support the underlying constitutional amendment. I appreciate all the work that Senator Erdman and others have put in on this. And I appreciate the discussion we're having and continue to have on the floor of the Legislature--

HILGERS: One minute.

WILLIAMS: --of how to update our tax structure in our state and find solutions. And I remain committed to that result. Thank you, Mr. President.

HILGERS: Thank you, Mr. Williams and Senator Kolterman. Senator Lowe, you are recognized.

LOWE: Thank you, Mr. Speaker. And I would really like to see LR11CA come to a vote. I think it's important for the people to have a voice in the way our taxes are being done in the state of Nebraska. There are a lot of people in Nebraska that are tired of the way that we tax them, because others are not taxed and it does not seem fair. So it should be up to a vote of the people, and that's what LR11CA does, is it gives it back to the people. With that, I'd like to yield the rest of my time to Senator Erdman, if he would like to use it.

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HILGERS: Senator Erdman, 4:20.

ERDMAN: Thank you, Mr. Speaker. Thank you, Senator Lowe, I appreciate that. Senator Williams, as in the past, I would say, I appreciate your speaking into the microphone. I could hear you very well. I appreciate it. Let me speak to your issue about the insurance companies. I knew I discovered when we had the hearing that the insurance industry had a problem with the consumption tax. I was born in the night, but it wasn't last night, so I took that into consideration. So I invited Mr. Robert Bell, who's the lobbyist for the insurance companies to come to my office, and we had a thorough and lengthy discussion about the insurance industry and the ramifications that you just described. I understand it. I get it. There is a reason that these insurance, insurance companies are domiciled here in the state of Nebraska. And you alluded to that when you said we have a very favorable tax system for insurance companies, and that is the case. And what you have failed to mention and that I mentioned to Mr. Bell, is these insurance companies will no longer pay corporate income tax. They will no longer pay-- all their employees pay no personal state income tax. Those corporations will pay no property tax, and many of those insurance companies hold land or real estate as an investment and there will be no property tax on those investments. Now, I understand exactly what you're saying about the retaliatory tax. I understand all that. But what I'm trying to tell you is the fact that when you reduce their taxes, their hidden taxes that are included in the premiums, which are those income taxes, corporation and personal, as well as property taxes on their facilities they work out of, as well as their investments, that rate may not be 9.85, it may be less than that. But we don't want to consider the fact that we're going to reach out and help 1.9 million people, we're going to help 1.9 million people who pay taxes in the state of Nebraska because it's unfavorable to 14,000 people. And I am not here to tell you that I am pleased about harming anyone. But what I'm here to tell you is our tax system that we currently have is not fair. And by not being fair, I mean there are people getting advantages that they shouldn't get. And so I listen to the insurance companies, what they said. I understand their issue, but they haven't taken into consideration the reduction in the taxes they're going to be able to take advantage of when the consumption tax goes into place. And so those are issues that we need to deal with. So when Senator Williams says he's, you know, willing-- looking for a solution, if this is not the solution, then what is the solution? That's a problem.

HILGERS: One minute.

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ERDMAN: I hate, I hate your idea, but I don't have one. OK? So we have been discussing this tax problem for 54 years, 54. Senator Wayne yesterday put up an amendment to eliminate TEEOSA, he got 21 votes. There's only one way to fix this tax system that's broken. One. And that's draw an end to what we currently do and implement something that works. This works. Will there be winners and will there be losers? There could be. But when the end is all done and it's all put in place, the winners will be those who pay taxes in the state of Nebraska. Am I disappointed that some people won't win? Yes. But I can tell you right now there's a lot of people that aren't winning right now, a lot more than are winning. OK? And so if the insurance companies have a sweet deal here, and they do, and I appreciate that they're here--

HILGERS: That's time, Senator.

ERDMAN: Thank you.

HILGERS: Thank you, Senator Erdman and Senator Lowe. Senator Friesen, you're recognized.

FRIESEN: Thank you, Mr. President. And thank you, Senator Erdman, for, for bringing this bill again. And I'm going to talk a little bit about the history of, of, me and this bill and Senator Erdman. And so last year, I did cosign onto the bill and had I read through it, I'd studied it, and I had told Senator Erdman I thought it had some fatal flaws. But I said I was willing to have that discussion to see once if a lot smarter people than us could come up with a solution to some of those things. And I I still think, you know, if we're going to talk about comprehensive tax reform, this should have been, you know, it should be part of the discussion. We should look at all alternatives and we shouldn't just focus on see who we can give tax cuts to or tax breaks to. How do we totally reform our income tax system here, our property taxes, which are overbearing, and we keep saying that we're a high-tax state. I'm, I'm not always convinced of that. I sometimes think maybe we're taxed too heavily in the wrong areas and we are spending maybe as we need to trim back. And there's a combination of things. So when, when we were talking about the bill over and over, I had a gentleman come in one time and talk to me about taxes. And he said, really, you know, he said it should all be based on an income tax. Because without income you can't purchase things so that you can pay sales tax. Without income you can't purchase property so that you can pay property taxes. Everything is based on you having the income and the ability to spend that money so they can tax you again. And so we do tax things numerous times. Our-- first we pay an income tax, and

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then we buy property and then we pay property tax for years and years. And we never really own that property. We just rent it. And then you take that other money and you buy things and you pay a sales tax. And then you pay on your other bills, you pay occupation taxes and franchise taxes and all sorts of hidden fees that businesses are required to pay that are built into the cost of your product. And so if we would ever dig down deep and see how much taxes and regulations cost for the things we buy, we might be shocked to learn how much is built into the price of that product and how much cheaper it could be done. Now, I'm not saying that all the issues have been solved here yet. I still think there are some issues that we have to address in this. It's not going to be the answer to all problems that we have here. But we had enough people a year ago come in and testify, and our room was full back then, we didn't have the COVID. The room was packed and we had people from the urban areas, we had people from rural areas. We had ag people, we had business people. And everyone came in and talked about how there were going to be able to either save the farm, stay in their house for retired people because property taxes would be gone. And we heard this over and over and over again. And I thought, you know, this year when we held the hearing we, again, if you look at the number of proponents that came in, everyone thought this was the answer. So one of the main reasons we sent this to the floor, and I was a part of that, is that everyone deserves to be able to hear this discussion on something that so many people, so many constituents all across the state truly believe is the answer to our tax problems. So I, I hope everybody gets engaged here and doesn't just dismiss this, and we actually talk about what are the problems with this bill. How do we implement this? How do we make it work? When people--

HILGERS: One minute.

FRIESEN: --first heard it, I mean, sometimes they oversimplified it because everyone thought they were going to save this much money, I'm going to say this much money. And I got to asking, you know, well, who's going to, who's going to pay? Because it's revenue neutral. And so, again, that's a, it's a good question. How do we, how do we get money out to our schools? How do we get money out to our cities and counties and NRDs? Those are, those are questions that we need to answer. And I guess the biggest thing from, from a business side is what's the definition of an input? What is exempt from this tax? What is not? And those are questions that I'm going to get from my constituents is, you know, if you're going to put this 10 percent on all of my inputs, you know, that's a, that's a big bill. And I think Senator Pahls has talked about eliminating all exemptions. Well, those

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are the questions I think, that Senator Erdman has tried to answer here. But I, I think that's something that we all have to start asking questions about and discussing this bill, so that's--

HILGERS: That's time, Senator.

FRIESEN: --out there. Thank you, Mr. President.

HILGERS: Thank you, Senator Friesen. Senator Brewer, you're recognized.

BREWER: Thank you, Mr. President. While we take a trip down memory lane, there's a reason why many of us have become hardened and discouraged that this body will never, ever have any real property tax relief. Everybody wants to go to LB1107. But anybody with an ounce of common sense knows LB1107 was a business incentive package. It wasn't property tax relief. It slowed the amount of increase, is what LB1107 did. But for those that are new in the body, on April 4, 2018, we sent a letter to then Secretary of State John Gale requesting a special session. Special session was going to be dedicated just to property tax relief. That time we had a number of senators have signed on, myself, Senator Erdman, Senator Halloran, Senator Brieese, Senator Groene, Senator Bostelman, Friesen, Wayne, Lowe, Larsen, Linehan, Albrecht, Murante, Hughes. Obviously, 15 senators is not enough to call a special session, but it was our way of saying, listen, we feel this is important enough that we need to have the ability to focus on this. Those that signed on this letter are still the champions that are trying to find property tax relief. Why is this an issue? Well, I had a conversation with somebody that I think drew the picture about as clear as we can draw it. The state of Nebraska owns all of the land, and he said, well, now I own the land, I got a deed to the land. While I tell you what, just don't pay your property tax for a while and see if the state of Nebraska doesn't own your land. That will never change under the current system. You are a renter. You will continue to be a renter until we figure out a way to make sure the people are going to have a fair system with property tax. And at the point we, we tax people until they can no longer afford to pay it and they lose that land, it really becomes obvious that, that you are a renter. And I think we're getting to that point. If you leave your small bubble, which may be, say, in Lincoln or Omaha, and you get out to where it is becoming critical to folks, we have to come up with a solution. Now, we've tried having a special session. That won't work. We've tried a ballot initiative. That won't work. We've tried dozens of bills. We just debated one last week that had the potential to give us some property tax relief. It failed too. There is a cabal of

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individuals, that I will say a cabal of no, that will continue to say, no. It's easy, don't change anything. Continue to do what we're doing. As insane as that sounds, that's what we're going to do because it protects those who control enough votes in this body to stop any true effort to get property tax relief. There are days that my heart breaks for, for Briese and Linehan because I see the hundreds of hours they put in. The fact that they have more knowledge than a lot of people in this body combined, and all of that does them no good in the end because it becomes an emotional thing or a rumor that causes people to vote the way they do, not actually digging up the facts and figuring out truth from fiction. We will continue to think TEEOSA is the answer, or it's the answer that can be tweaked and somehow that will somehow morph into what we need down the road and we'll--

HUGHES: One minute.

BREWER: --we'll take a bite out of here and a bite out of there. But we're fooling ourselves. We know the reality is that without a wholesale fix, it ain't going to happen. And take a close look at the names of those individuals who vote against this. Take a look at those who voted against previous property tax relief or many other things that would help fix problems and you'll find those names are the same. Let the people decide whether or not this is a good idea. Thank you, Mr. President.

HUGHES: Thank you, Senator Brewer. Senator McDonnell, you're recognized.

McDONNELL: Thank you, Mr. President. Senator Erdman contacted me in December of 2019 and, and wanted to meet, and Senator Halloran and Senator Erdman and I met. And he started explaining the consumption tax. One of my first questions was how does it impact people at or below the poverty level? And Senator Erdman said, we have an answer for that. The thought and the idea would be to have a prebate to where at the beginning of each month those individuals would have that, that money for their basic needs and not be hurt by a consumption tax. From that day forward, Senator Erdman, in every meeting, and he's had a number of meetings, individuals, groups, discussions, he has never took a step back on that. And most of the time, when you start thinking about changing taxes, changing anything, Alexander Hamilton said: Do you want to create an enemy, change something. People don't like change, small or big. Well, this is a big change, and it is a first step of a thousand steps. And most of the time, your first step is the most difficult. Now, I've had people come to me and say, well, this is-- there's a problem here and there's a problem there. And

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they're right. They're right. The things they're bringing up. But, but the idea of bringing up a problem is fine. But please bring a solution with that problem, because otherwise I was taught as a kid, if you're going to bring up problems without solutions, you're just doing nothing but whining. Not to whine, you've got to have, you got to have solutions to go along with those problems. So what's your ideas? OK, so this is, this is not easy. And this is a big issue. And the work that Senator Erdman is putting into it and trying to take that first step, that's what we need your help. Not that you agree with it, not that this is a finished product. Not by far is it a finished product. But again, the problems, please tell us what is the problem and what's a potential solution and how can we work together on the consumption tax to move it forward, improve it on every step. But the time that Senator Erdman has dedicated to this and that he's going to continue to dedicate, we need to, we need to make sure that we're helping him, agree or disagree, helping him improve, understand for all of us, and to make sure that we are working together to try to solve our tax problem in the state of Nebraska. I will yield the remainder of my time, Mr. President, to Senator Erdman.

HUGHES: Senator Erdman, 2:20.

ERDMAN: Thank you, Mr. President. Thank you, Senator McDonnell. And I appreciate Senator McDonnell's support. He's been there every time and helped with all the meetings we had. I appreciate that. You know, there are some in this body that have reached out to me for an explanation to try to understand what we're trying to do. And I appreciate that, because unless you deal with it as much as I have and you dig in to what it's going to do, and you make an assumption like those people who have been sending you emails, they assume something. And so a week or so ago, I had a chance to visit with Senator Pansing Brooks and Loel. I appreciated that opportunity. I had a chance to explain to them what we're trying to do here, and I did appreciate their attentiveness. And I do thank them for letting me say, share that. So I want to talk briefly about Senator Friesen's questions. And I think it's important what he asked, and I appreciate his vote to get it out of committee. My understanding of the distribution is as follows. And what happened to us a year ago when I introduced the consumption tax proposal then, we didn't have what we're calling the nuts and bolts bill of the distribution or how it will work.

HUGHES: One minute.

ERDMAN: And thank you. So over the summer, Joel in my office spent numerous hours working on LB133, which is the method in which some of

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this revenue is going to be collected and distributed. Now, as Senator McDonnell said, is it the answer? No, it's not the answer, but it's a beginning point for a discussion on to come with the answer. And so what I'm asking today is agree with the concept. Agree that the consumption tax is a fair tax, agree with the consumption tax is a fix to our broken tax system, and then also agree to help me, Senator McDonnell and all the other cosigners to fix LB133, the distribution-- collection and distribution of the consumption tax in a way that works for the state of Nebraska. I don't have all the answers, as you know. I don't pretend to have all the answers. But what we did with LB133, we hope to start the--

HUGHES: Time, Senator.

ERDMAN: --discussion. Thank you.

HUGHES: Thank you, Senator Brewer and Senator Erdman. Senator Albrecht, you're recognized.

ALBRECHT: Thank you, President. Colleagues, I rise in full support of LR11CA, and I hope that you'll join in on trying to get to the finish line with this and allow the public, the constituents of Nebraska, to weigh in on this decision. You know, Nebraska could be the trailblazers for the country in something like this. We don't have the population that a lot of states do, but we're awful frugal in the way we spend our money. We have to be, because we don't have enough money to pay for a lot of other things when we have to pay some of the property taxes that we do. And I'd just like to talk about, you know, property taxes in the state of Nebraska. When I went door to door and I heard from retired farmers that couldn't get enough rent to pay their taxes on their ground, you know, we looked to help out the Social Security in the state of Nebraska for all, all folks. We're looking at the retirement of some of the, the military folks. There are so many avenues that, that we need to explore to be able to go forward. But I'm excited to see, when I talked to Senator Erdman, when he first talked about it, I was very reluctant. I said, you know, show me the numbers. Show me in the last ten years, if we would have been doing this, where would we be today? Would it, would we be able to carry our state and to be able to take care of the counties and the cities and the schools? And would everyone be whole if we did something like this? And we have lots of folks that are looking at this. I understand that, that once we find out all of the hard numbers, we'll know exactly where, where we sit. This is a work in progress. It's not something that will be done overnight. But please don't just discount this conversation today, because I can't believe

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any corporation that is a part of the state of Nebraska wouldn't be excited about not paying any corporate taxes. I believe more people would come to the state of Nebraska if they didn't have to pay income tax, corporate tax, property tax, inheritance tax, real property tax, tax on estates of the deceased. You know, this is a great concept to be considering. I applaud Senator Erdman for taking the punches, because we had six people in Revenue that kick it out. And we had more people come and talk on this issue, we had 90 bills that we listened to, and that is our quest in the Revenue, to figure it out and to bring something forward to this floor. And we talked about, you know, the best bills that we're going to put together are those with the eight of us fully engaged on how we're going to make this happen. And this is probably the best one to me that's come before us. But we can't get it done unless we all engage in figuring out how to do it. I don't know how much time I have left, but I'll yield it to Senator Erdman, if he'd like to continue.

HUGHES: Senator Erdman, 1:50.

ERDMAN: Thank you, Mr. President. Thank you, Senator Albrecht, and I appreciate your vote too on the Revenue Committee. So let me continue with a bit about Senator Friesen's comments. As we put that LB133 together, it is my-- this is my opinion, this is what I think could happen, is all budgets now, once they're approved by the local units of government, the school, the NRD, all of those come to the county for approval to collect taxes. As a county commissioner, I've seen those budgets every year. We made a decision to allow them to collect the taxes. It's all we did. We didn't approve their budget, we didn't review their budget, we didn't see if they met any of the requirements that the restrictions are put in place to do. All we did was allow them to collect the taxes.

HUGHES: One minute.

ERDMAN: So I would envision-- did you say one minute?

HUGHES: One minute.

ERDMAN: Thank you. So I would envision that when these budgets are all completed, they send them to the county, each county would send a budget to the State Treasurer, and the State Treasurer would cut a check, 93 of those, one to each treasurer in each county. And that treasurer would then distribute the money the same as they do now. What we're asking is for a different source of revenue. We're not asking for different revenue, or more revenue or less revenue, but

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revenue-neutral, and it can be distributed just like the property tax is distributed now. And Senator Friesen, there will be no tax on business-to-business inputs, your fertilizer, your seed, your chemical. There will be no tax on repairs for your equipment because it's a business-to-business transaction. You buy a new computer for your office, there will be no tax because it's a business-to-business transaction. Only those things that are consumed, those services you hire that are for business, will be taxed. And consequently, the base is going to go, like I said, from \$49 billion to \$125--

HUGHES: Time, Senator.

ERDMAN: Thank you.

HUGHES: Thank you, Senators Albrecht and Erdman. Senator Ben Hansen, you're recognized.

B. HANSEN: Thank you, Mr. President. I'll yield the rest of my time to Senator Erdman.

HUGHES: Senator Erdman, 4:55.

ERDMAN: Thank you. Thank you, Mr. Speaker. Thank you, Senator Hansen, I appreciate it. So they will submit their budgets and then that budget will be distributed, that money will be distributed by the treasurer. So we consider now they say, well, who's going to be in charge or review those budgets to see if they're right? Well, the question I have to ask, who does that now? And the answer is no one. It will be the same. So when a school or a county or an NRD has a 2.5 percent lid, or whatever the restrictions are, they submit their budget and the county is not obligated to look to see if they met all the criteria, they just approve them to collect the taxes. And so people have said, so then who's going to observe whether the county, the city or the school or whoever it is is doing it according to the statutes? And the answer that I give is, who does it now? And so I would assume that when these budgets come to the Legislature, we will review those in the Appropriations Committee, we'll approve those, and then we'll send the funds out. And so when we begin to eliminate income tax, property tax and sales tax and we begin to allow people to pay the tax they want to pay when they want to pay it, then the government will function just like you do in your private life or your business. And consequently, we have never, when we raise property tax, send a notice to the taxpayer and ask, can you pay more taxes? We just send them a notice saying, you must pay this. And so consequently, when the consumption tax goes in place, you will be able to choose how

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much taxes you pay and when you pay them. And May 17 is rolling around when you have to pay your state income tax, and it very well could be the case you may not have the money to pay that if you have to write a check. That can never happen with a consumption tax. And so we'll move forward with this, and I hope to answer the questions that you have. But Senator Friesen, there will be no tax on your inputs. There will be no tax on tractors you buy, no pickups you buy for your business. But if you buy a new car to drive as your personal vehicle, there will be a consumption tax on that car. And we will talk about that. We will-- I have another flier I'd like to hand out and we'll talk about what happens in border bleed, will people go into Iowa or Wyoming or South Dakota and buy things because their taxes are less? What will happen? Will people buy a used car instead of a new car because there's no consumption tax on used cars? And will people buy a new home or will they buy a used home? We're going to go through all of those to make sure that you understand what it is we're trying to accomplish. And it's very simple and straightforward. And I told this to Senator John Cavanaugh last week, if I walked into your office and laid our current tax code on your desk, the 400 or 500 pages or whatever there is, and I said, Senator, would you vote for this? And he said, probably not. So the question is then this, if this current tax system we have you would never vote for it now, why would you continue that? The consumption tax proposal you can write on a three by five note card on one side. And the flier I just passed out explains on the back those things that will be taxed and those things that will be exempt. It's pretty simple, pretty straightforward. No business-to-business transactions. And so consequently, those things you buy for your business won't be taxed. Things that you consume will be taxed. And I will talk a bit more about some of the comments that Art Laffer made, but I want to leave you with this this time. I originally, when I came here, I thought property tax was the only issue that we had a problem with.

HUGHES: One minute.

ERDMAN: But after listening to some of the people who have a concern and an issue with property tax, I began to realize that there's more than one tax that's a problem. And I began to realize and try to understand what Blueprint Nebraska was trying to say and what they're trying to do. And as I begin to understand that income tax is just as regressive as property tax, I began to see that we've got to fix our whole tax system. So I appreciate what Blueprint Nebraska is doing to try to come to a conclusion to fix our tax problem. And I can tell you right now, unless we eliminate these taxes and get to a fair tax, which a consumption tax is, we will continue to be in the middle. We

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will continue to lose young people, brain drain; and we will continue to use old people like myself who can't pay their property tax. And Senator Lathrop, this will solve the problem that you had with that witterer [PHONETIC] when you knocked on his door and he said, I don't know whether I'll be able to stay in my house.

HUGHES: Time, Senator.

ERDMAN: Thank you.

HUGHES: Thank you, Senators Hansen and Erdman. Senator Blood, you're recognized.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, I'm really appreciative of all the people who are on the floor there actually listening to the debate today. And I want to say that at this time, I have to stand firmly against this constitutional amendment. And I'm going to walk you through why. But first, I want to respond to some of what I heard on the mike. Senator Lowe, I agree that we should give issues back to the people, but it is our job to make sure that those issues are on point. And this has so many issues that I would be embarrassed to put this out for a vote right now. I agree with some of the things that have been said as far as there's only one way to fix this and this is how we fix it. I don't agree with there's only one way, I agree there are ways to fix it. And the ways that we fix it, nobody wants to do. Unfunded mandates, unfunded mandates, unfunded mandates, you gave away millions of dollars in the last few weeks, millions of dollars that we could have kept in our coffers for a rainy day, right, Senator Stinner? But you won't fund these unfunded mandates at the local level which raise our property taxes. Why the heck not? You can't keep coming up with solutions and finger pointing when you have solutions right in front of you that you choose to ignore. I go back again to Sarpy County, I believe it was \$8.1 million in unfunded mandates in 2019 alone. Doesn't take long to do the math, friends. I'm being told that this isn't a finished product, it's a work in progress. Then why are we voting on it? You know, for those of us that drive back and forth, we don't care that we have to work late into the night, we're happy to do that. But I do care when we have to have a debate on something that's supposedly not a finished product. That means you don't value my time or the time of my constituents who have bills that are in the queue that they would like to hear. I'm looking at this and what I'm seeing is that the vast majority of Nebraskans will pay more. That's not OK. And I think if Nebraskans were to actually see the numbers, they wouldn't be OK with that. But that's not how we're going to market it if it does indeed end up on

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the ballot. But I'm going to tell you what happened during my campaign. My opponent ran on consumption tax and he actually said, well, if people don't want to be pay the tax, they can just not buy the product. Do you know what my senior, seniors have to say about having to pay taxes on their medication? They can't do it because we're still taxing their Social Security, by the way. Do you know what my seniors say and my, my smaller families that are struggling when it comes to medical bills, do they want to pay taxes on going to the doctors? No, they can't do it. And what are we thinking, wanting to tax groceries again? There's a reason that it's not taxed through the business, because that's double taxation, right? We don't want to keep taxing everything. I, I am not willing to start putting taxes on things when I see solutions like funding unfunded mandates that we've had research on that's been proven to raise property taxes. I'm not OK with this. And if you're OK with this, I don't think you went door to door and you talked to your senior citizens and you said, hey, I've got this great idea. I'm going to start taxing you on your medication, I'm going to start taxing you on your doctor's visits.

HUGHES: One minute.

BLOOD: You saved your entire life to buy a new car and you've never had a new car. And guess what? I'm going to make sure that you get taxed, taxed, maybe a little extra on that. I don't know what goes on in your part of Nebraska, but where I'm at, the vast majority of the voters that I talked to don't like this idea. I have grave concerns about this bill. I don't know how long we're going to talk on it. I don't think it's worth eight hours because it doesn't look like Senator Erdman has the votes. I hope that we're respectful of each other's time and that we really talk about what this bill does and does not do. But it is not a fair tax, and it's being promoted as such. It is an unfair tax that's going to cause long-term problems. You want to fix something immediately, let's start funding these unfunded mandates. And then those of us that are being pointed out as trying to stop bills like this might be more flexible when it comes to expanding the base.

HUGHES: Time, Senator. Thank you, Senator Blood. Senator Murman, you're recognized.

MURMAN: Thank you, Mr. President. I rise in strong support of LR11CA. We continually hear on this floor how our tax system is broken, both from rural and urban senators. We hear how we need to take bold steps to solve the problem. LR11CA is a bold step and would like-- and I'd like to thank Senator Erdman for bringing this proposal. I know he's

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done a lot of hard work on it and has been working on it for a long period of time, and I really appreciate it. There are many positive reasons to support this measure. Some of those include it is simple and easy to understand and implement, it is fair to both those who pay the tax and those who receive the tax revenue, it will benefit the middle and lower-income Nebraskans. Everyone receives the prebate and there's always the opportunity to buy used. Those below the poverty level actually won't be taxed on such things as food and medicines because through the prebate they, they receive the, the revenue to pay that, those taxes. Every citizen decides when to pay their taxes. Only those that buy new goods need to pay the taxes-- new goods and services will have to pay the tax. It will encourage business development. Business inputs are not taxed. And there, there's no other taxes either, so business in the state will be encouraged to expand and new businesses will come into the state. And finally, it will keep Nebraskans from leaving the state because it eliminates sales, income and property taxes that are the high taxes that are forcing people out of-- people and businesses out of the state right now. I have discussed this idea with many individuals in my district, and they are very discouraged by the current unfair tax system in Nebraska. They are excited about the possibility of a simple, fair proposal like LR11CA. This, this res-- constitutional amendment will not only eliminate the property tax that has almost no relationship to a person's income, but it also eliminates other taxes, such as income and sales and inheritance taxes that are excessive in Nebraska. It will, this tax will actually-- the consumption tax will make the government much more streamlined and efficient. It broadens the tax base, and that's something that we absolutely need to, need to get done. It is time for us to take a bold step, and I urge your support of our LR11CA. And I will yield the rest of my time to Senator Erdman.

HUGHES: Senator Erdman, 1:40.

ERDMAN: Thank you, Senator Murman. And thank you, Mr. President. So Senator Blood, I listened to your comments, and I have a couple of things I guess I would say. I very seldom ever see a bill that comes to the floor that's perfect, that just passes without a discussion or somebody making amendments to it. The other question I have is you made a comment that everybody is going to pay more. That comment is not true, and I will share with you how that is the case. Every person in the state of Nebraska, including Warren Buffett--

HUGHES: One minute.

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ERDMAN: --is going to get a prebate equal to the poverty level times the consumption tax rate. So let's, let's just make an assumption that that rate is 9.9. So a person that is in the \$12,700, which is the poverty level for a single individual in the state of Nebraska, their prebate would be \$12,068 a year or \$105 a month. Now, remember, they're going to get this prebate at the beginning of the month to offset any consumption that they may have to buy for the month. So that person won't pay a dime in taxes until they spend more than \$12,700. And currently, if that person buys food in a restaurant or clothing or anything that has sales tax attached, they pay sales tax. Under this proposal, they pay nothing until \$12,700. Now, the other issue that you need to understand is that if the person uses SNAP or food stamps to buy food, no consumption tax--

HUGHES: Time, Senator.

ERDMAN: --can be collected. Did you say time?

HUGHES: Time.

ERDMAN: Thank you.

HUGHES: Thank you, Senator Murman and Senator Erdman. Senator Gragert, you're recognized.

GRAGERT: Thank you, Mr. President. I want to thank Senator Erdman for bringing this LR. I believe it's a, well-- an excellent tool to that we need for we, we hear about property taxes, which is the number one issue on the floor. I've listened many, many hours about property taxes. And as some of my colleagues have said, we can't just talk about property taxes, we need to talk about all the taxes. So I think this is a, a very good way to do that and get that accomplished. And so I yield the rest of my time to Senator Erdman.

HUGHES: Senator Erdman, 4:20.

ERDMAN: Thank you, Senator Gragert. Thank you, Mr. President. So let me, let me continue. So that person in the \$12,700 won't pay any tax until they exceed \$12,700. And as I said, they won't pay any consumption tax on any of the food that they buy. So we're going to incentivize them with a prebate as if they paid consumption tax on their food. Now, when it comes to their medical costs, any medical costs that are paid by an insurance company or Medicare or Medicaid will not have a consumption tax. And so I don't know how Senator Blood thinks that this is going to cost people more. And most people that she says aren't in favor of the consumption tax don't understand it.

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And it appears that she don't understand it. And I can understand that she doesn't. And I don't fault her for that. But Senator McDonnell stood up and said this is not a finished product. We're here to ask you to help us figure out how to make it a finished product. So what I'm trying to ask you today is agree with the concept, agree that the consumption tax is the fix of our broken tax system. Once we've made an agreement of what the solution is, then how to implement it is something that 49 of us in this room will decide on how to do that. You'll be part of the discussion, everyone in this room. What I have put together in LB133 is my opinion of how it would be implemented. As I said, it's my opinion. So it's up for discussion. It would be inappropriate, it's unconstitutional for us to vote on or work on LB133, the nuts and bolts or the distribution of a consumption tax, when the Constitution doesn't allow us to collect a consumption tax. And so first and foremost, we must pass LR11CA, the constitutional amendment to allow us to collect a consumption tax, and then we work on the implementation. That's how it works. You can't get the cart, you can't get the cart before the horse. And so as I went through that model there on an individual on what they're going to pay, let me run through what a family of four would actually pay. A family of four that if they could spend \$64,000 on consumables and services, if they could, and they won't be able to. But if they did, their consumption tax prebate would be equal to \$26,000-- \$2,604 a year. That's \$217 a month they're going to receive in an account at the beginning of their month that they would offset any consumption. So their effective rate, what they actually pay net tax at the end of the year would be 5.5 percent. Not 9.9, but 5.5. And we continuously talk about 9.5 is cost-prohibitive. You do not take into consideration the prebate. The prebate goes to every individual in the state here, irregardless [SIC] of your income. And we are not going to collect income tax, so the state of Nebraska will not know what your income is, and I don't care what it is. So everybody will get a prebate, if you're a legal resident of the state of Nebraska, you will get a prebate at the beginning of each month. And so consequently, the prebate is in, is in place not only to protect the people on the low side, the low-income side, but it holds the middle-class people harmless as well.

HUGHES: One minute.

ERDMAN: This is-- thank you. This is an opportunity for us to have a fair tax that actually helps the low and medium-income people in the state of Nebraska like no other. And you say, well, what advantage is there then for a person who rents? Well, let me explain this. In my location where I have rental properties, my rent is based on what everybody else is charging. If my property tax goes away on my rental

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property, I will have to lower my property rent by the amount of my property tax going down because my neighbor who has a rental will do that and not-- my tenant may move to their house. So all of the services and all of the things that we have now have hidden taxes. And these hidden taxes are the income tax that the person has to pay that's doing the service, or the property tax or the personal property tax the business has involved in the product that's on the shelf. All those hidden taxes you never see, and those things are going to go away.

HUGHES: Time, Senator.

ERDMAN: Thank you.

HUGHES: Thank you, Senator Gragert and Senator Erdman. Senator Geist, you're recognized.

GEIST: Thank you, Mr. President, and I'm intrigued by this. I like when senators think outside the box, and this certainly is outside-of-the-box thinking, and I'm very intrigued by it. And I do have a couple of questions for Senator Erdman if he'd yield to a couple of questions.

HUGHES: Senator Erdman, will you yield?

ERDMAN: Certainly. Thank you.

GEIST: One of those is when I-- if, if those who haven't listened on the Zoom call, one of the questions that I asked was what would transition look like from what our tax code is now to this?

ERDMAN: OK, that's an excellent question, Senator Geist. I appreciate that. And if you haven't seen the Zoom call, it's still available. But here's the, here's the answer that I gave on the Zoom call, and I think this is probably one that everyone needs to hear. The transition period will be 2024. And as you're aware, in the state of Nebraska we collect taxes in arrears, property tax, as well as income tax and corporate income tax. And so beginning in '24, we will have revenue coming in from '23. That will give us an opportunity to make the transition into the consumption tax with the revenue that we had collected for 2023. So I think the transition should be smooth. I think we should have the revenue to make that transition. And if, in fact, we missed the percentage a point or two, maybe two-tenths or whatever it might be, we'll have an opportunity to make that up because we will have the revenue to do that. So I don't think it's an issue that will be any different than it was in 1967, Senator, when we

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switched from state income tax, state property tax to our current income tax and sales tax method. In '67, they had to make an abrupt change and they made it then, those people were smart enough to figure it out, and I think we can too. But that's my perception that we'll make that transition because of the revenue coming in from the year prior.

GEIST: OK, and I have one more question for you. So this is also a, a high degree of education for our constituents. Do you have a plan of how to well inform constituents in what they would be voting for should this pass?

ERDMAN: Yeah, that's an excellent question. I appreciate that. What, what, what our plan is, what I plan to do, Senator, and I've done some of this this last session. We've had several town hall meetings, and I think that it's important that not only do I be able to-- I can share this, but I think the media needs to pick up on this and begin to share this information so people can have their questions ready, but my plan is, once we adjourn this summer, later spring, we will do a traveling opportunity across the state to present this to, to voters, to answer their questions and try to make sure that they're completely understand what we're trying to accomplish. So we, we need to understand it. We need to understand that the voters have a question that, that we may need to answer. And so that's our goal is to have the town hall meetings across the state.

GEIST: Thank you. Thank you. I do know that one of the things that we have seen across the country is those states that have no income tax are the states that are growing. And so that's one of the reasons I find this interesting. I believe there is no other state that purely relies on consumption tax. Is that correct, Senator Erdman? OK. So it is a brave new world. But the reason that, that I find it intriguing is that our problem, which we talk about all the time on the floor, is that we need an incoming population to spread the tax base, to grow our state.

HUGHES: One minute.

GEIST: And I see that if this would work, it's an opportunity to actually do that and see some real growth in our state. So with that, I will continue to listen. I appreciate your efforts, Senator Erdman. And thank you, Mr. President.

HUGHES: Thank you, Senator Geist and Senator Erdman. Senator Dorn, you're recognized.

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DORN: Thank you. Thank you, Mr. President. I want to thank Senator Erdman. I want to thank the Revenue Committee for putting this bill out here on the floor. And I do want to take issue a little bit with what Senator Blood said about, I don't know quite where we're taking up time or using time. As I've sat here in the Legislature the last two years, I can't tell you how many bills I've seen that have come to the floor that have had issues that haven't-- they've been a work in progress and we passed them maybe from General File to Select File, or I see people out here working bills, negotiating bills, talking through bills, and we passed some really good bills out of all of that. So to me, this is not a waste in time. I think this is a very important discussion that we do need. What comes out of it, I don't know. But would Senator Erdman yield to some questions?

HUGHES: Senator Erdman, will you yield?

ERDMAN: Certainly I will. Thank you.

DORN: I have a few questions. I had more, but the handouts you've been giving out have been really, really, really helpful. I've had a lot of questions from what I call the farming people or whatever. A new tractor, if you bought a new tractor, there would be a consumption tax.

ERDMAN: No, sir. There's no tax on business-to-business transactions. A new tractor wouldn't have consumption tax.

DORN: A new tractor or used tractor.

ERDMAN: New or used.

DORN: OK, that tractor, you need to take it to the repair shop, to a dealer. What is taxed then? Is the labor or the parts or what is taxed?

ERDMAN: Neither one.

DORN: Neither one. OK, what about, I call it crop inputs. Everybody out there is planting right now, we've got seed, fertilizer, chemicals.

ERDMAN: No, none of those would be taxed, Senator. The, the way to determine that is are you consuming those fertilizers and those seeds? You're manufacturing, you're producing something. So because it's, because of production, there will be no tax.

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DORN: Because, because you're producing something with that. OK, what about a, I call it a business in town that, you know, I don't know a industry that now when they buy new equipment, would that be a consumption tax on it. New, new equipment that they are using in their business?

ERDMAN: No, no, sir. There would be no tax. No business-to-business transactions will be taxed.

DORN: OK, on the machinery. When we buy that, it ends up on our personal property statement. What happens to the personal property part of that tax?

ERDMAN: Personal property tax is going to go away.

DORN: It's going to go away. OK, thank you. And I yield the rest of my time to Senator Erdman.

HUGHES: Senator Erdman, 2:20.

ERDMAN: Thank you, Mr. Speaker. Thank you, Senator Dorn. I appreciate that. You know, when I said earlier about the income tax issue, and Senator Geist alluded to that, and it was difficult for me at first to accept that income tax could be a problem. But as I begin to understand and read about those states who don't have income tax and the advantage that they have over us that do, Senator Geist, I began to realize quite quickly that we needed to fix both. And so Art Laffer made another comment that I think it's important, it's vital that we understand what he was talking about. He says: We must also note eliminating such taxes as income tax, sales tax and property tax will result in considerable savings on enforcement of reporting incomes and administrative costs of both for the state and local governments and taxpayers. The offsetting administrative enforcement of other costs resulting from the consumption tax should be considerably less than the savings from the tax eliminated. In short order, these net savings could be equal to, equal to 10 percent of the state's revenue. We could save 10 percent by implementing the consumption tax.

HUGHES: One minute.

ERDMAN: And he went on to say, and I asked this question on the Zoom meeting, if you watched it, you've seen it. And I asked Senator-- I asked Art Laffer, I said, Art, of all taxes that are owed in the state of Nebraska or in the nation, how many taxes are paid in a percentage? How many are paid? And his answer was 50 percent. And he gave this example, and he said that in 2010, Warren Buffett made 12,000-- excuse

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me, \$12.5 billion and he paid \$7 million in taxes. Now, I'm not following Warren Buffett. I appreciate him being here in Nebraska and I appreciate what he does. He's a smart man. He's my hero. He understands how to do this. But he pays people how to figure out how to pay \$7 million on \$12.5 billion worth of income. And so when Art Laffer said we only collect 50 percent of the taxes that should be paid--

HUGHES: Time, Senator.

ERDMAN: --and the--

HUGHES: But you are next in the queue, so you may continue.

ERDMAN: All right, thank you, Mr. Speaker. So, so anyway, what I was saying was when, when you make your tax system as aggressive as ours, people figure out a way to not pay the taxes. When it's a fair tax, when it's a consumption tax, and people will say it is easier, it's less costly for me to pay the consumption tax than it is for me to hire some lawyer or CPA to figure out how to get away from paying the taxes. He went on to say that for every dollar, every dollar we collect in taxes, it costs 30 cents, 30 cents to collect those dollars. And so when he was asked the question about our percentage of 985 what would the percentage be? And he said with the savings that you will see with the reduction in spending that you will have because of the collection of taxes, you very well could implement the consumption tax for 7 percent. Now, that wasn't my opinion, that was his. And Dr. Laffer has been doing research on economics for a long, long time. And he understands supply economics. And that was his comment, 7 percent. And so as we move into this, we have no idea at what rate our economy is going to grow, how many businesses will move here and how many young people won't leave here. And we'll get an opportunity to have a bigger base because people will stay here. We'll have more people, as Senator Geist alluded to. And so as we move through the discussion today, let me reiterate what I'm here to ask you is agree with the concept, understand the concept of it being fair for everyone. It is protecting the middle class. The low-income people, it is protecting those people. And generally what happens, and they'll say, well, the rich people are going to get a break. Well, people with more income will have more service, they will have more services and they will consume more goods than the average family in the state of Nebraska. So it's all based on what they, who they hire and what they purchase. And so consequently, moving forward, it is a fair tax that allows everyone to pay when they want to pay and how much they do pay. And so I will-- how much time do I have left, sir?

HUGHES: 2:40.

ERDMAN: OK, next time on the mike, I want to talk to you about the flier I handed out about a new house, a new car and border bleed. I don't have enough time now to explain that, but I'll do that on my next time. Thank you.

HUGHES: Thank you, Senator Erdman. Senator Briese, you're recognized.

BRIESE: Thank you, Mr. President. And good morning, colleagues. I want to thank Senator Erdman for bringing this, and I really want to thank Senator Erdman for his relentless efforts in the name of property tax reform, property tax relief. And I want to thank him for really and truly thinking outside of the box on this proposal. Some of this body have suggested that we have done enough on property taxes, pointing to the LB1107 numbers and the additional property tax credit fund numbers, things of that sort. But I'll guarantee you that the folks that spoke in support of this constitutional amendment at the hearing do not think that we've done enough about that, about property taxes. And Senator Groene passed out a 2020 tax statement from a landowner who's paying \$150-some an acre on farm ground. And I'll guarantee you that he or she does not think that we've done enough on property taxes in this body. And there's an enormous amount of anger and frustration about the property tax burden in this state. And it was very apparent at the hearing on LR11CA. And really LR11CA and Senator Erdman's vision of what it should look like and LB133 are a reflection of that anger and frustration. And we must respect that anger and frustration. And with that, I would like to yield the balance of my time to Senator Erdman.

HUGHES: Senator Erdman, 3:30.

ERDMAN: Thank you, Senator Briese. Thank you, Mr. President. So I'm going to run through, and Senator Blood alluded to not buying a new car. Let me, let me run through this scenario. It's in the folder, the flier that I gave out to you, the second one. It's very-- in the middle there, it says: Buying a new car. Here's the scenario. A family in Lincoln that makes \$64,000 a year buys a \$50,000 car outright. No trade. under the current tax system, there's a 7.5 percent sales tax in the city. So a \$50,000 car, sales tax is \$3,750. Then there'll be another thousand dollars personal property tax added to that, \$3,750. So to get the car on the street, the very first time, is \$4,750 under our current system. Then the next 10 years you're going to pay personal property tax and it depreciates on a 10 percent rate. So you're going to pay \$900, \$800, \$700, and you get the point. So at the

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end of 10 years, if you drove the car 10 years, you're going to pay a total of \$9,250 in property tax and sales tax to own that car for 10 years. Now, under the consumption tax model, I made an assumption the family made \$64,000. I added the \$50,000 new car to the \$64,000 because they're going to pay consumption tax on the new car, and then I took their prebate off. And so their effective rate is 7.7-- 7.55 percent. So you multiply the \$50,000 times 7.55 percent and you get \$3,775 one time, one time only. The next year when you license your new car, you pay the \$32.50 or whatever the licensing fee is and whatever the wheel tax is in Lincoln, that's all you pay. So the point is, at the end of 10 years, the difference between buying a car, a new car under the consumption tax plan, and under the plan we have now, you save \$4,475. Now, tell me, will you buy a new car under the current system or would you rather buy a new car under the consumption tax plan, plan? I can tell you what I would do. I would buy a new car under the consumption tax because once you have paid that initial consumption tax, you don't have to pay any more property tax. Does that make any sense? So don't give me the idea or the opinion--

HUGHES: One minute.

ERDMAN: --that the new car dealers should be opposed to this and it's going to force people to buy used cars, because that's not the case. Because people that buy new cars are going to buy new cars, and it's going to be cheaper for them to do that. And so what we say here on the floor as to being what our opinion is, doesn't necessarily make it so. And so the other side of that brochure is about buying a new house. And I will go through that scenario as well. And as you see, when we get to the bottom of that file, that folder, you will understand that you can buy a new house more economically than you can buy a used house. So that's what I'm trying to explain to people. This is how it will work and these are the situations that you need to understand, so you can explain it to your constituents, to those people who have a question about these issues. You can use this flier to answer those questions. Thank you.

HUGHES: Thank you, Senators Briese and Erdman. Senator Hilkemann, you're recognized.

HILKEMANN: Thank you, Mr. President. I signed on to this bill, one of the first ones to sign on with Senator Erdman. Why did I sign on to it? I've been very critical of our tax system here. We've been giving lots of money to the property tax relief fund, and we're now over a billion dollars. And people say we need more property tax relief, we need more property tax relief. I have, I have people in my district

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say we need more property tax relief on our houses, not just on our ag land. Our system, folks, leaves a lot to be desired. And his name is mentioned earlier, I met Rob Rohrbaugh [PHONETIC] when I first worked with the Pachyderm-- or went to some Pachyderm meetings in Omaha. And he talked with me about this fair tax, and I've been intrigued with it. So I think we need to have a discussion about it. And that's, and I appreciate Senator Erdman bringing it. You know, I was looking at the, there's the, the commonly said, said phrase: The definition of insanity is doing the same thing over and over again and expecting a different result. I actually went and checked that out, who is that accredited to. And initially, according to the History Channel, it was initially claimed to be that of Benjamin Franklin, which they said is in error. And then it was attributed to Albert Einstein, which they also say did not happen. So anyway, down the line, it has been utilized. It makes a good statement. And I think that this is one of those things that we talk about. We need to update our, our tax system. I think this is a good discussion to have. Is it a radical idea? It sure is. My first question is, how are we going to fund our schools? How are we going to do it fairly? How are we, you know, and we're going to do it through the state? Is that really how-- where does the local control come in on this thing? But yet we know how complex when you get your taxes at the end of the year and you have to file them, simple is better. And this would be a simpler-type system. Does that mean that it's without error? These are all questions that would have to be worked out. You know, we're never going to have the mountains, and we're never going to have weather in the 60s and 70s in January and February and March. But maybe we can have a tax system that would be unique to the United States. Now, I know it would work better if this was, this was done on a national level. But let's look at, let's look at this radical idea. Maybe it's not so radical after all. Maybe it's a good thing for Nebraska. We're a great state. I always appreciated one of the, one of the first speeches when I got down here, I heard one of the events was Coach Osborne used to say this, three wonderful things about the state of Nebraska. One is that we have very fertile land and most of it's productive, we have the Ogallala Aquifer to water that land, and we have great people. And that's I use that illustration frequently. I think it's a good one, because that really does describe Nebraska. But let's look, let's look at what could be. Let's look, let's think outside the box, as Senator Geist referred to it. And, you know, one of my favorite movies, I think I've shared this before is The Agony and the Ecstasy--

HUGHES: One minute.

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HILKEMANN: --the story of Michelangelo painting the Sistine Chapel. And at one point he was painting it and he was very disgusted with what he-- with how it was looking. And he went to a wine cellar and, and someone said the wine was sour and the wine-- brewer comes there and he breaks up all the kegs and everybody goes after the all the sour wine. Said if the wine-- the wine is sour, you throw it out. And one of the next scenes in The Agony and the Ecstasy is Michelangelo tearing down the frescoes that he had, and he said: When the wine is sour, you throw it out. Well, I think that our tax system might be sour. Do we need to throw it out? Let's look at some, let's look at some new ideas. Thank you, Senator Erdman, for bringing a new idea. Thank you, Mr. Speaker.

HUGHES: Thank you, Senator Hilkemann. Senator Lathrop, you're recognized.

LATHROP: Thank you, Mr. President and colleagues. Last week I stood here and I said I had been dreading Revenue week. It's turned into Revenue two weeks. And actually, I think it's been a really healthy discussion for this party because we've talked about education, what education costs us, how we fund it. Are we doing an adequate job? Are there inequities? We've talked about our tax system. It's pretty easy to identify the problems that exist in an existing tax system that we have. But I think this has been a good discussion. And I also appreciate Senator Erdman's contribution to that discussion by putting this out there so that we can have this conversation. And I think it's an important one. I do have a problem with the, the bill, however, and I was intrigued by the exchange between Senator Dorn and Senator Erdman because our friends from rural Nebraska talk about the burden on farmers, and literally it would be-- there would be no responsibility. That they'd pay no property taxes, they'd pay no income taxes. They would pay nothing for what it costs to-- they buy a truck, a tractor, a pickup, seed, corn, fertilizer, whatever it is, that would be a business-to-business in virtually every circumstance, until they get to the grocery store, buy a pair of Levi's. I also have a little problem with this idea, that if two people, if a person goes out and they enter into a contract to buy a home and they get in a beef with the builder and that and they're now in litigation, the consumer is going to have to pay a lawyer and sales tax or a consumption tax on top of that, but the business doesn't have to pay the consumption tax to pay their lawyer. And what we have when we are talking about a concept of a new program, is we don't have the opportunity to look at all of the problems that causes because it's a new concept. We don't know all of the practical realities. Certain, certainly, Senator Williams referred to one as it relates to the

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insurance industry in Nebraska. This is an important conversation to have, I agree. I think we ought to all understand it. We ought to take the time we need to have a, a thorough discussion about what this would mean, who, who are the winners and the losers. Because you don't change a tax system to something which is a radical change, and this, I think Senator Erdman would agree, is a radical change, without having a full understanding of who the winners and losers are. Because there will be winners and losers. There will be winners and losers. And while we certainly have difficulties with and good arguments to be had on the floor about how we fund education, what we do for the children that are being left behind, that aren't getting the quality education that we guarantee in our State Constitution, I don't think this is the answer. But I do think it is a worthy conversation because it is a box we need to check on our way to getting to some place where we actually develop the political will, we develop the political will to look at taxation and look at school funding in a very serious and step back from it and take a, a good, hard look at how we do both. Because if nothing else has happened in the last two weeks, we had--

HUGHES: One minute.

LATHROP: --demonstrated, we have demonstrated that nearly every person in this body wants to see change. What that change looks like is a broader discussion. And I think Senator Erdman's LR is a part of that discussion, certainly, if for no other reason, so that we have a full understanding and we can move past this concept and on to other ideas for reform. And so I am appreciative to Senator Erdman for bringing the bill to the-- or this resolution to the floor. I look forward to the balance of the discussion, and I would agree with others who have said this is a worthy discussion of our time. We should take all the time we need to fully understand the pros and cons of this concept so that we can decide whether it belongs in the basket of ideas that go with us down the road towards meaningful tax reform. And with that, I'll yield the balance of my time. Thank you.

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

CLEMENTS: Thank you, Mr President. Again, I would urge that I believe that the taxpayers should be the ones who have a chance to vote on how they pay their taxes. And I was interested in one of the brochures that was handed around about the consumption tax. It has 20 points. I'd like to read some of them and give some explanation. First of all, it's fair and simple. It's one rate for everybody, it's good and easy to understand. It honors private property rights. As other people have

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said, you could actually own your house and own your farm, not having to worry that you pay the property tax, whether you can afford it or not. And there's very few exemptions. But the prebate does protect low-income people, and I believe it would enhance economic growth. The we, we would increase our competitiveness for Nebraska over our neighboring states. It's going to-- we've already seen people have talked about South Dakota being more competitive to us because their sales tax is expanded. This is similar to that, just on a little bit broader scale. It encourages your home improvement and property improvement. Right now, people wonder if they should increase the value of their property because it's going to go up in valuation and go up in taxes. It promotes savings and investments, especially capital gains would not be taxed as they are now. Nebraska's income tax does, I believe, punish capital gain more than our other states. It reduces administrative costs. There's administration from the state to and local that collects sales tax, and property tax at the county level, income tax. We have Department of Revenue, a lot of administration costs would be eliminated or reduced. It upholds constitutional rights to owning property, as I already said. And it's upfront and transparent. I was thinking about how this is transparent, then I looked at my property tax bill that has 10 items on it. I pay the county and my house \$703; the school general fund, \$1,900; the school bond, \$252; the Fire District, \$47; the city general Fund, \$746; the city street bond, \$195, the county fairgrounds, \$12; the NRD, \$58; the community college, \$180; the ESU, \$29. And right now, unless you really get out the tax statement and really look it over, it's not transparent. You don't know how much is going where. And this would be, you'll see it on the receipt when you buy something, that's the tax you pay and that's all you're going to have. I believe it's family-friendly, net upward, it improve-- it improves upward social mobility as you increase your income, you're not penalized by having more tax coming out of that income. It requires minimal tax planning, and people look for loopholes and higher tax attorneys and spend money doing that. In time, that would be eliminated. It's a tax on new goods and services and not on property, not on your estate or an inheritance.

HUGHES: One minute.

CLEMENTS: The business is going to collect and pay the tax like the sales tax now. It's one and done. You do a transaction, it's your taxes paid. And it's a single rate, encourages hard work and increasing your income. You can save it, you don't have to spend it all. If you increase your income, just keep your spending where it is and it's not going to be taken away from you. And there's no need to

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lodge a property tax protest, which I've done before. It is time-consuming and not often successful. So again, I do support LR11CA and I would like to see the voters of Nebraska be able to decide what to do with it. Thank you, Mr. President.

HUGHES: Thank you, Senator Clements. Senator McCollister, you're recognized.

McCOLLISTER: Thank you, Mr. President. Wondering if Senator Erdman would stand for a few questions?

HUGHES: Senator Erdman, will you yield?

ERDMAN: Yes, I will. Thank you.

McCOLLISTER: Senator Erdman, do you have any response to the AG's Opinion on LR11CA?

ERDMAN: I seen that yesterday, Senator McCollister, and his conclusion was-- and I, and I'm not a lawyer. But what I understand is he said that it does not violate the single-subject issue. And he also went on to say, if I interpret it correctly, it could, it could violate the logrolling issue. But he didn't say that it did. And so that's my understanding. Is that, was that your question?

McCOLLISTER: Thank you. Can you give me a concise definition of inputs?

ERDMAN: Anything that's used to manufacture something or grow something.

McCOLLISTER: So, so all consumption virtually is just sales similar to a sales tax when that product is consumed by a consumer?

ERDMAN: The difference, as I said earlier, Senator, was a consumption tax is collected by the person or the organization that consumes it. All right? And so the difference between a consumption tax and a sales tax is sales tax happens every time something sells. A consumption tax only happens to the first consumer or a service that they hire.

McCOLLISTER: And you mentioned earlier that no other state in the country has enacted such a legislation.

ERDMAN: That is correct. And no other state has a Unicameral either.

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McCOLLISTER: That's true. Absolutely true. Would that put Nebraska at a competitive disadvantage in competing with other states for business?

ERDMAN: Oh, no, no. What that will do, Senator McCollister, it will move us to the front of the line in every, every issue there is. There will be no state that can compete with us. In fact, Senator Halloran has said will become such a popular place to start and live, start a new business and live, we'll have to build a wall around the state to keep people out and Colorado will pay for it.

McCOLLISTER: Didn't you also assume that we would get rid of all of the federal income tax? I'm wondering how, how that's possible.

ERDMAN: No, I did not. I did not say that.

McCOLLISTER: I guess it's in the brochure that I

ERDMAN: That was, that was talking about what the Beacon Hills in their study said. That was what they indicated the fair tax would do on a national level. But that's not what this proposal does. This proposal does not mess with or adjust federal income tax. That's a federal issue.

McCOLLISTER: I'm glad. Thank you for that clarification. Also, Senator Erdman, would that rid us, or at least would we lose local control, control like school board elections, things like that? Would everybody be coming to Lincoln to get their, to get their, their money?

ERDMAN: Well, Senator McCollister, I don't mean to be asked a question to answer a question, but what local control does a school board now have?

McCOLLISTER: Oh, I'd say it's considerable. You know, they determine what the levy is. And that's I think that's a proper way for us to govern but--

ERDMAN: OK.

McCOLLISTER: --you know, having, transferring all of that authority to Lincoln--

ERDMAN: OK.

McCOLLISTER: --I find a little bothersome.

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ERDMAN: So all right, now I understand what you're trying to say. So here's, here's my answer to local control. Local control is basically, as you described it, we can't tax you as much as we want to tax you. That's what local control is. We're not asking the school what to teach, what hours to be open, what superintendent to hire or any of those things. We're not doing any of that.

HUGHES: One minute.

ERDMAN: And currently, there are stipulations in place on how much they can raise their spending, 2.5 percent, unless they have unused budget authority; or 3 percent if you get a major majority of the board. So we're not taking away local control. And so generally, what I interpret local control to mean is we can't continue to tax you whatever we want and how much we want without your permission.

McCOLLISTER: Thank you, Senator Erdman. I want to thank you for this initiative, bringing this out. I think it's an important discussion, truly out-of-the-box kind of thinking. And thank you for, for this contribution to our discussion about tax policy.

HUGHES: Thank you, Senators McCollister and Erdman. Senator Friesen, you're recognized.

FRIESEN: Thank you, Mr. President. Would Senator Erdman yield to some questions?

HUGHES: Senator Erdman, will you yield?

ERDMAN: I will, thank you.

FRIESEN: So I'll just continue on a little bit where Senator McCollister maybe left off. And so you have political subdivisions out there now. In the, in the bill, it mentions that they could have their own consumption tax. Now, is that, is that something you foresee everyone having, counties, cities, NRDs?

ERDMAN: Senator, we, we aren't messing with that part of the code, so currently you have occupation taxes put in place by cities and currently we have an opportunity for counties to have a county sales tax. And the reason most counties don't have a county sales tax is because they have no consumption or sales that happen in the county. But my impression, and this is what I have said in LB133, this is how I believe it would happen, is any occupation tax that's now currently in place, and the sales taxes collected to do that, would be replaced with a consumption tax based on the vote of the people. The people

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would vote on a placing a consumption tax on those products or services in their city or in their county or whatever is permissible by the law now.

FRIESEN: OK, so and again, some, some counties and cities out there don't have much of a sales base. So, I mean, we are kind of, if I have to go shopping in a nearby community because my community doesn't have that, I'm helping their community, but I'm not helping my community. Is that a fair assumption?

ERDMAN: It's, yeah, and that's exactly how it is now with the sales tax. When I drive into Bridgeport and Bridgeport city, the city of Bridgeport has a sales tax. Everything I purchase in city-- in Sidney-- in the city of Bridgeport, I'm helping those residents of the city by paying that sales tax.

FRIESEN: Is there, is there a possibility of this consumption tax being brought back to where the consumer lives, like we do with the Internet sales tax collection, that's sales tax collection is assigned back to the where the person lives?

ERDMAN: You know, Senator Friesen, that's a great question, because what that, what you're saying and the, the method you're using here is exactly what will happen on LB133, or the nuts and bolts bill, when we get ready to implement it. Those are the questions and the discussion we will have. And you and I and 48 other-- 47 others will have an opportunity to describe and put into statute how that happens.

FRIESEN: Thank you, Senator Erdman. So, you know, as you listen to the debate here, and I'm glad that there's people willing to engage in that discussion, because I think that's what the people that came and testified, at least in front of Revenue Committee, they need to hear this discussion. They need to listen to this because to them it was the answer. And, and if you disagree or if you have questions, I'm hoping people engage in that discussion. And we either need to vet this a little bit further or figure out exactly how we're going to implement this. But I, I would tell you now that if you might put something like this on the ballot today, it wouldn't surprise me if it would pass because people are upset over property taxes. And it's not necessarily all the taxes they pay, but they're upset over property taxes. And if they saw, and their testimony over and over and over again talked about how burdensome the property tax issue was, whether they're residential homes from Omaha to Lincoln all across the state and to ag land out there in rural Nebraska, the testimony was just one after the other after the other, talking about the burden of these

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taxes and how this would take that burden off and it would allow them to choose how much they want to spend, how much they don't want to spend, and allow them--

HUGHES: One minute.

FRIESEN: --at least to put some money away for retirement. So I, I think this is a well-deserved discussion. I know that some people are engaged in it, and I'm glad to see that. It's going to be interesting to see where we go with this. I don't know where I'll be on this yet because I do see some problems, but I again, will work that out. And this isn't a radical as idea as we've-- the state has done this before. Yes, it created a little chaos for the Legislature. And lately we've probably shown that we're not willing to handle it. But I guess we'll, we'll have to wait and see. So it's going to be-- I'm going to keep listening to the discussion, and I hope people engage and ask some good questions about the local control we keep talking about. Thank you, Mr. President.

HUGHES: Thank you, Senators Frieese-- Friesen and Erdman. Senator Hilgers, you're recognized.

HILGERS: Thank you, Mr. President. Good morning, colleagues. I want to make a couple of comments on LR11CA, and I appreciate what Senator Erdman has done both this morning and over the last year, I think, since he's brought this idea before us. I appreciate the conversation this morning. There's been a lot of really good questions. I've listened to comments from Senator Williams talking about our insurance industry, Senator Lathrop's asked good questions, Senator Friesen and others. And I think this is a very valuable. So Senator Lathrop a minute ago talked about Revenue week, and it really has stretched into two weeks. And I put this bill here today by design. So over the last week and a half, we've been talking, I think, in a very tactical way. What should we do with this exemption? What should we do with this part of the corporate rate? And I don't think that's bad, but I think it's helpful after-- at the end of that conversation of tactics to take a step back and talk strategy. Because the truth is, colleagues, I think our, our tax system is incredibly poorly designed. And if you look at the history of that system, it makes sense why. I mean, that system was designed in the 60s, far before when I was born for a world that didn't include Internet, didn't include a lot of the technology that we have today, doesn't include a lot of the services that we have today, doesn't include the-- doesn't take into account the mobility of labor and capital that we have today. And then on top of that poor and antiquated design, what we've done over 50 years or 60 years since

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then is really chip away in a very tactical, small way. We'll do an exemption here. We'll do an exemption there. We'll lower, we'll tweak the rates over here. We'll maybe adjust the brackets over here. And what we haven't ever done is take a step back and from the ground up look at from an a do-- de novo perspective, strategically, what is the best tax code for our state? And that's what Senator Erdman has done. And it's not just for the individuals, how would having no income tax impact people, how would a prebate impact people. But it's also from a growth perspective, a population growth perspective, from a business growth perspective, from a capital and labor attraction perspective. And so what Senator Erdman has done is, first, he's thought big, and I value what he has brought to the table with LR11CA; but secondly, and I'd be remiss without underlining this in my comments this morning, for the record, what he has done is said, OK, everyone, here's the idea. I don't have any pride in authorship, I don't have any pride in approach here. Bring me every question you've got. And over the last year, as I've talked to Senator Erdman, that's exactly what he has done. This is a better proposed constitutional amendment today than it was when it started, and when the end of this debate this morning or this afternoon, whenever we're done, it will be better yet because the questions have been asked and Senator Erdman has tried to make this better and better. When we talked about this debate, Senator Erdman and I did, what he has said is, I want to have a good conversation so I can get this as fully baked as possible. I want to address the questions that Senator Williams has raised. I want to address the questions that Senator Lathrop has posed. This is-- the product of this debate will be a better resolution. And so I appreciate Senator Erdman thinking big. I appreciate the process by which he has brought this bill forward. When you have a tax code that has been around since the 60s and designed the way it has with tactical changes, you're going have a whole lot of reliance interest, interests, one of which Senator Williams pointed out with our insurance industry. Those are real things that we need to consider, colleagues. But taking a step back, a holistic, comprehensive approach and doing the types of things that if, if this does what Senator Erdman talks about, could be transformative for our state, are exactly the kind of big picture thinking that we ought to be having here on the floor this morning. So I will be voting on General File green on LR11CA because I think this conversation ought to continue. And I think these questions ought to continue to be asked and more questions be asked, so that Senator Erdman can be thinking through answers and we can dialogue here on the floor, both in General and Select. And so with that, I would yield the rest of my time to Senator Erdman.

HUGHES: Senator Erdman, 1:00.

ERDMAN: Thank you, Mr. Speaker. Thank you, President. I appreciate that. You know, and we've talked about this in the past, and someone asked me the other day about this, and I said, if someone was willing to step up and take this over, I would give it to them, because we've worked a long time on this. And it's because of the taxpayer, it's because those people who sent me here sent me here to do something. And so this is what we've come with. We've come with an idea and a concept. And I think exactly as Senator Hilgers alluded to, what will happen to our state if we do this? What will happen to our economy? We don't know what that is. Senator-- or Art Laffer is willing to do a dynamic study, but it's going to take longer than we have. But he's willing to do that. He is interested in us doing this because we will be the only state, as we alluded to with Senator McCollister, and he wants to try to determine what the economic advantage would be.

HUGHES: Time, Senator.

ERDMAN: Thank you.

HUGHES: Thank you, Senator Hilgers and Senator Erdman. Senator McDonnell, you're recognized. Not seeing Senator McDonnell, Senator Flood, you're recognized.

FLOOD: Thank you, Mr. President and members. One of the things that I appreciate about Senator Erdman's bill is that it acknowledges, I think, the simple fact that we have to go to the shareholders of this state to make any changes when it comes to significant tax policy. Just like a, a corporation, you have the shareholders which ultimately own the corporation, and then you have the board of directors, and then you have the officers. As somebody that values a Legislative Branch over the other two branches of government, I see us as the board of directors. I see the Governor as an officer, which I'm sure they see themselves much differently than we do but-- as a board of directors, we are, I think, unable to deliver the, the kind of wholesale tax relief and tax-- I shouldn't say tax relief, tax system. And what Senator Erdman is doing here is he's basically saying, here is a way forward. Let's appeal to the shareholders and let's put this on the ballot and let them decide, which I think is absolutely the right course of action if we want wholesale change. Now, you'll see in the committee statement, I voted no on this in committee. I have great respect for the big vision. And I, I appreciate where the Speaker wants to go and to have this conversation, because they think this is good. Here are, here my takeaways from my first year in the

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Legislature starting in 2020. One, number one is there's 28 or 29 votes for major wholesale change in tax relief and there's nowhere near 33. Number two, there's 20 votes for another kind of tax relief on any given day, that isn't the kind that maybe I would buy into. What I would say is that we understand that we have to go to the shareholders of the state, that we can't do it here. We've got a lot of different special interests that will stop us, death by a thousand cuts, from doing the kinds of things wholesale that we need to do. What if next year we put with agreement two different proposals on the ballot? One of those proposals is, what the 28 or 29 of us think about and put forward, and the other is what the 20 think about. And we put it on the ballot not as a constitutional amendment, but as a statutory change. And we all go out and we make our case to the voters and we take what we can find in Senator Erdman's bill that we can agree on and we take-- and we accept, if you're in the 28, 29, you accept what the other 20 want to put on there as a proposal. And we put both of these proposals on the ballot in November of 2022 and we let the shareholders decide. And if they both pass, we've got a conflict of interest that we have to resolve in the Legislature, but that can be done by the Legislature. But I, what I like about this idea is that it gives us all a pathway to the voters. We can put two competing ideas out there. We agree by putting one out, we put the other out, and we all make our case to the people. And we bypass the rotunda and we bypass the special interests and we bypass everybody on our way to the people. And I think as I look at what would make us the most successful, putting competing ideas out to the shareholders, if you want a discussion, that's the best place to have a discussion, because everybody's got a vote. And we are at a point where we need something where everybody gets to vote on it because we're talking about wholesale change. And so what I would say to you is that this, this wouldn't have entered my mind but for Senator Erdman's effort. I'm going to continue to listen to what he's got to say. Everything he's done is with passion and belief, which gets my attention every day. But I would offer to you that I think there's a, there's another way we could do this next year, but it would take an agreement among all 49 of us.

HUGHES: One minute.

FLOOD: The one side swallows what the other have, has and vice versa. And we take our ideas to the people and we go out among the people and we push those ideas, because at the end of the day, one thing I have noted here is that people inside here understand when the people speak, we accept it. Some people in here may not like gambling, but they got the message very clearly, the people want gambling. We're

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going to deal with it. We're going to go forward. So I, I would offer that as to where I'm at. And I'm one of 49, but I would look forward to a continuing conversation. Thank you, Mr. President.

HUGHES: Thank you, Senator Flood. Senator Albrecht, you're recognized.

ALBRECHT: Thank you, President. You know, we had the Tax Foundation put together 13 priorities for pro-growth modernization in Nebraska by Katherine Loughead. And I'll tell you this table, we need to sit up and take notice that Nebraska's rankings on the 2021 State Business Tax Climate Index overall, Nebraska ranks 28th. In corporate taxes, it ranks 32nd; individual taxes, 21st; sales tax, 15th; property and wealth tax, 41st; and unemployment and insurance taxes, 11th. And then, of course, on a lot of these, you just go right to the conclusion, and I'm going to read what they had to say. Nebraska's tax code currently contains many outdated, complex and burdensome provisions that impede the state's economic competitiveness. But this does not need to be the case for much longer. Improvement on even a handful of the 13 priorities that they outlined in this report would improve the state's competitive standing and help combat the state's economic challenges. As policymakers look for ways to reduce tax burden and attract new business, the residents of this state, the importance of structurally unsound tax code, must not be missed, must not be underestimated. A broad-based, low-rate tax structure and one that avoids penalizing in-state investment will help Nebraskans retain a stronger competitive footing to grow and prosper for decades to come. Folks, now is the time. I'm glad that all seats are filled here and we're listening to this. This bill has got a lot of merit, and I do believe it is something that we need to be considering. And I know that Senator Brandt is anxious to get on the mike, so I'll yield the rest of my time to him. Thank you.

HUGHES: Senator Brandt, 2:55.

BRANDT: Thank you. Senator Albrecht. Would Senator Erdman be open for a question?

HUGHES: Senator Erdman, will you yield?

ERDMAN: Yes, I will.

BRANDT: Senator Erdman, I know some of the other senators have talked about some of the issues with the local control. And I don't know if we've addressed this. I don't think I've heard it specifically. So today a local school wants to build a new elementary school, and I

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know you served on a, on a county board and, and let's say a county wants to pave eight miles of road. Well, that's done today through a bond election using against property. How, how does this work underneath this consumption tax?

ERDMAN: Well, I've had the question also, Senator Brandt, how we're going to pay for current bonds that are in place. I think that's a similar question. Current bonds are paid by property tax. And if we're replacing property tax with the consumption tax, the bonds will be paid out of the consumption tax going forward. My impression is of your, your second part of your question was, how will we go forward doing that? I think that the Appropriations Committee will have to make a determination whether that is an appropriate consumption tax proposal. All of those things that we're speaking about is what Senator Friesen said as well. Those were the things that will have to be implemented in LB133, in the bill that comes forward on how we implement it. That's how we'll have to have, is we'll have to have that discussion to describe how they're going to do that.

BRANDT: But you still see local control is a critical part of this, so that if that local school system votes to build a new gymnasium or new elementary school--

ERDMAN: Yes.

BRANDT: --would that be correct?

ERDMAN: Yeah, I would assume that to be the case, if they have the, the wherewithal to do that. And, and like I said earlier on the consumption tax for the occupation tax, it will be a vote of the people to put that consumption back-- tax back in place for to replace the occupation tax.

HUGHES: One minute.

ERDMAN: So the local people have to get involved. I think when it will happen, Senator, I think we'll have an opportunity for people to start showing up at their budget hearings. They'll have people started getting involved in what the county, city or school are doing. And consequently, as a school board member for 12 years, no one ever came to the budget hearing.

BRANDT: All right. Thank you.

HUGHES: Thank you, Senators Albrecht, Brandt and Erdman. Senator Ben Hansen, you're recognized.

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B. HANSEN: Thank you, Mr. President. I got to say, this is kind of an interesting discussion so far, and an interesting proposal that Senator Erdman has brought forward. Kind of along the same line of thinking as Speaker Hilgers, I am strongly considering voting green on this bill because I want to further this discussion. I think it's behooved upon us as representatives of the people to make sure that they have all options on the table that we can discuss. I don't want to throw anything away. I think taking our time and discussing this and working out all the issues and asking the pertinent questions, I think is, is, is a, is a just cause. I think we need to kind of keep continuing on. So I was hoping I could ask Senator Erdman a question, if he'd yield, please.

HUGHES: Senator Erdman, will you yield?

ERDMAN: Yes, I will.

B. HANSEN: Thank you. And so one of one of the common concerns I've heard getting emails, listening to constituents is the possible "regressivity", if that's a word, "regressivity" of this tax or of this proposal on low income earners. How would this affect them, such as buying food? You know, because I think that's kind of an overall consensus. People are saying, OK, well, now they have to pay 10 percent sales tax on items they only had to pay 5 percent on now before. And so we're seeing it as a regressive tax now on low income earners. I hope you can kind of explain that a little bit about why it would not be in your opinion.

ERDMAN: Thank you, Senator Hansen. Yes, I can. So, as I alluded to earlier, we're going to give a prebate to everybody equal to their filing status with the federal government. So an individual will receive a prebate equal to the poverty level, which is \$12,760. And so consequently, they will get a prebate for a year of \$1,268, or \$105 a month. So, Senator, when we say it's regressive for the, the low-income people, if that's going to be people's arguments, they need to change their argument. Because let's say that a person of \$12,760 goes out and buys food or clothing. Now they pay sales tax. Under the consumption tax, they won't pay any tax at all until they exceed spending \$12,700 on consumables. And so what it will do, at the beginning of the month, they get the \$95, and if that month they don't buy enough consumables or hire services to spend the \$95, they can use that \$95 to spend on whatever they want to spend it on. So in reality, low-income people, when the consumption tax is in place, will actually be in a better position than they are currently because they do pay sales tax even on the \$12,700 that they do have. And so the

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consumption tax holds them completely harmless until they exceed \$12,700. So if you're saying it's going to be regressive for low-income or middle-income people, then you need to get a different argument because that doesn't work.

B. HANSEN: So who determines, like the \$12,700, do they have to turn in receipts or something like that? Like how does that work? Who-- how do we determine that?

ERDMAN: Right. Every, every person in the state of Nebraska will file with the state their filing status. If it's you, yourself and your daughter, there is three of you, you will file with the state that there's three and you will receive a consumption tax prebate equal to three people. All right? A family of, of two and a daughter, so that's three people, you'll get a consumption tax based on that. You're going to be probated according to your filing status, not according to your income, because as I said earlier, even Warren Buffett is going to get a prebate because he's an individual that lives in the state of Nebraska. And so the state's not going to collect income tax. It will have no idea how much income you have. It's not based on income, it's just put in place to offset any consumables you have up to the poverty level so that we're not making a regressive tax on the low-income or medium-income people.

B. HANSEN: OK, all right. Yeah, because I was actually just up in, I think it was last week I was up in north Omaha talking at a church about the legislative process, about other kinds of things pertaining to bills that are coming up.

HUGHES: One minute.

B. HANSEN: And this is one of the topics of conversation, LR11CA, and about how it would affect people in lower income areas. And so I appreciate you answering some of those. But does, does ever-- if you would yield to another question, sorry? Does everybody get the prebate, no matter what income you earn?

ERDMAN: That's correct.

B. HANSEN: OK, all right.

ERDMAN: That's, that's correct. Every person in the state of Nebraska will get a prebate according to their filing status. If you're a couple, you'll get a prebate up to \$17,240. And if you're a family of four, you'll get a prebate of \$26,200 times the consumption tax rate

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divided by 12 into an account at the beginning of each month to offset any consumption you may have that month.

B. HANSEN: OK, and then so this prebate-- I don't know if you answered this already before you talked about it, what, what kind of form is it in? Do they just get a check? Do they get cash? Do they get a card?

ERDMAN: We've, we've had several discussions about that, Senator, and one of the, one of the things that--

HUGHES: Time, Senators.

ERDMAN: Did he say time?

B. HANSEN: Yeah.

ERDMAN: OK.

HUGHES: Thank you, Senator Ben Hansen and Senator Erdman. Senator Blood, you're recognized.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, I continue to listen to this debate and continue to be in opposition. And not because I don't appreciate Senator Erdman's enthusiasm for tax relief. He's a plucky little guy, and I have great respect for that. But what I'm listening to or something I call "blurry concepts." So questions don't always have to make sense, but the answers do. So when I asked questions earlier, I got a response, and I went back and looked at the resolution because I did second-guess myself. But the good news is I've been reading since I was like four years old and I still have the ability to read. And I looked at that resolution and there is nothing in the resolution that states that they won't tax business input. Page 11, line 3 through 8 says: all new goods and services. Now, I think that's in English. So I interpret that as all new goods and services are taxed. I don't know, maybe there's like an if/and or a may/shall that I'm missing, but that seems pretty black and white to me. Then the other question I had was, gosh, if I wanted to set up an LLC, I could pay for my groceries that way and not be taxed on it. I could pretty much do anything I wanted to. Everybody in here could start a business and we could basically screw over the system, if we were creative enough to do so. I personally wouldn't do it, but we open the door for that. And I find that concerning. You know, the issue that I always have with all these, these tax bills isn't that we're trying to lower property taxes. I agree with that. And again, let's fund unfunded mandates and we can really get a good start. But it's how we open the doors to other issues, and that's why

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I find this so concerning. So, you know, we've talked about the prebate, but I'm looking at that companion bill, LB133 that was referred to. And it may cover some of this, but it's going to leave a \$4 billion shortfall. So if the tax rate is raised to be revenue-neutral, most Nebraskans are going to see a tax increase. That's just basic math. I, I don't know, I got to say and be really honest, I don't usually read the multicolored brochures that are marketing that people give to me during bill discussions because they're skewed for you to support their bill, support the resolution. I look at the bill. I look at the hearing, I want to see what people had to say. And then I questioned things like, why do we keep getting full-color things? Because I always think that that's more money that the taxpayers have to pay for a business expenses. But that's another topic. I don't understand how we can say something that's in black and white isn't what it says. And if that's not the intent, then that should have been corrected before it came to the floor. And, you know, I don't necessarily disagree with what Senator Dorn said about how sometimes bills are fixed between General and Select. But if we're going to start and do a whole new build, that, that means it needs to come back. I'm likely going to bring forward an amendment to this that addresses the issues that I'm concerned about that I feel are easy fixes. I don't know, I'm going to kind of wait and see what happens with this debate.

HUGHES: One minute.

BLOOD: But I do have grave concerns. And again, if you haven't looked at page 11, lines 3 through 8, it says clearly: all new goods and services. And so, again, if there's a may or a shall or something that I'm not reading correctly, please point it out. But I'm pretty confident in my reading ability. I'm pretty sure it's in English. And I'm happy to be proven wrong, not just words said at me that I'm wrong, but I want to see the evidence that I'm wrong. Thank you, Mr. President.

HUGHES: Thank you, Senator Blood. Senator Halloran, you're recognized.

HALLORAN: Thank you. Mr. President. It's been a good conversation, we use that term a lot. And I think it's been a very productive discussion. One thing I would like to assure Senator Erdman, I will never call him a "plucky little guy." Nor would I suggest to Senator Blood that she's a "plucky little girl." But on that note, some 60 years ago we started the current tax code that we have now. How did that come about? Well, it came about primarily because Nebraska taxpayers had had enough. Prior to 1960, around that date, 100 percent

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of the state revenue was generated from property taxes, both local and at the state level, was funded by property taxes. And the voters had had enough. They did an initiative petition, outlawed the state from using property taxes as a means of funding itself, and income taxes and sales tax was, was instituted. There seems to be, and it's unfortunate, it's unfortunate that we-- some, some of us here have very little confidence in the voter. Now, those same people that a lot of confidence in the voter to vote them into office, but when it comes to putting something on the ballot as creative, I wouldn't call it radical, but it's innovative. It's bold. Something as creative as Senator Erdman has done with LR11CA, a consumption tax, when it comes to doing something like that on the ballot, some, not all, gladly, some in this body don't seem to have a lot of confidence in the voter. For some reason, they seem to think the voter is totally inadequately prepared to vote on something of this consequences. You're OK-- it's OK for you to pay your taxes. But when it comes to something on, on the ballot of this nature, well, they don't have the confidence in you. I've got confidence in the voter. And not because they voted me in, that might have been a lapse of judgment. But I have confidence in the voter, and we all should have confidence in the voter. And in turn, they should have confidence in us. If they, if they should choose to pass this on the ballot, they should have confidence in us to work out the details. That's what they put us here to do. And I appreciate Senator Blood's literacy and, and she contributes to questioning some issues that should be questioned. But in this case, I'm going to put my complete trust and faith in the Nebraska voters and I'm going to vote for LR11CA because the voters need to have some guidance to the stockholders, as Senator Flood said. How much time do I have, Mr. President?

HUGHES: 2:00.

HALLORAN: I will yield that time to Senator Erdman.

HUGHES: Senator Erdman, 1:58.

ERDMAN: Thank you, Mr. Speaker. Thank you. Senator Halloran. I want to make a comment or two about Senator Flood, what he had to say. Senator Flood, he understands that this body can pass statutes. We don't need to have the people do that. I don't think the Constitution allows that. But the question you have to ask yourself is Senator Flood spent eight years here before he came back in '21. And the question one has to ask is, what did those legislative bodies do about fixing our tax problem? The answer is absolutely nothing. OK? So come here as you will, and have two ideas and let the voters decide because you don't

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have the intestinal fortitude to make a decision doesn't make any sense at all to me. Either we have been elected here to make decisions or we haven't so--

HUGHES: One minute

ERDMAN: --it reminds me of one time when I appointed someone to a board and then they called and asked what they should do. And I responded with, if you're going to call and ask me what to do, then I don't need you. I'll just manage it myself. And so I don't see any way possible that we put two-- submit two proposals to the voters and let them choose because we don't have the intestinal fortitude to make the decision on our own. That's why we were elected, to make decisions. We were elected to look after the interests of the people. And I am here to tell you that I'm representing those people who pay the taxes. I'm not here representing the special interest groups or the lobbyists who send email saying, you can't adopt this, it's outside the box. It's not been well thought out, it's not been researched. We haven't done our homework. And besides that, we're going to lose revenue. That's not the case, any of that. None of that's true. This is a concept that puts the taxpayer first, changes our focus from collecting from those who collect and spend the taxes--

HUGHES: Time, Senator.

ERDMAN: --to those who pay the taxes. Thank you.

HUGHES: And you are next in the queue, so you may continue.

ERDMAN: Thank you, Mr. President.

HUGHES: And this, this is your third time, Senator Erdman.

ERDMAN: Thank you. So I want to speak a bit to Senator Blood's comments about what she said about taxing inputs. The language that we're asking to put on the ballot is exactly this. It says, The Legislature shall enact a consumption tax which shall apply to the purchase of services and new goods except for fuel. Such consumption tax shall begin no later than January 1, 2024. The Legislature may authorize political subdivisions of the state to enact their own consumption tax upon such terms and conditions as the Legislature may provide. That's what it says. So don't stand up and say that we're going to tax all the inputs, because this doesn't say that we can't give them exemptions. It is my impression people ask what they, what my opinion is, how it's going to work. And that has been my opinion, is that all business inputs will be exempt. And that is exactly how

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the Beacon Hill Institute did their analysis. They did not take into consideration business-to-business transactions. And so that is the presumption that I'm going with. And I believe that to be the correct one. And so don't try to read into this something that's not there. But this, as I said before, it's a bill that's in, in progress. And we will figure this out. And I'm asking you to understand the concept of what we're trying to do, that it's a fair tax and it taxes people to their ability to pay and not the way we currently do it. Because what we now do is regressive. And so listen to the comments, listen to the conversation. And the conversation leads us to the fact that this is one of those situations where it's a rare time that we're taking into consideration those who pay the taxes. And that's exactly what we need to do. And so all of those legislative bodies that have met before until now have nibbled around the edge. We've done LB1107. We've done property tax credit. We've done all of these things that haven't fixed the problem. And so Senator Flood says we're going to come with a couple of ideas. I'm waiting for somebody to come with one that fixes it. All of those that I've seen before is putting a Band-Aid on amputation. None of them have fixed the problem. So someone comes with an idea how to fix it, someone comes with a plan how to make it right and we have issues with that. So if you don't like this plan, what is yours? Oh, I forgot, you don't have one. So what I'm asking you to do is understand the concept of the consumption tax and all of those other things and those questions you have about the implementation and about how we're going to do it, is to be determined by us. We will figure that out. And so as we move through this, I appreciate the questions you've asked this morning. They're very thoughtful questions and they're very beneficial. And as Senator Hilgers said, we will try to answer those questions and come back with an idea on how it might work so that you can have a better understanding of how this is going to be implemented. Thank you.

HUGHES: Thank you, Senator Erdman. Mr. Clerk, for items.

ASSISTANT CLERK: Mr. President, I do. New resolution, LR117 by Senator Bostelman, is a proposed interim study regarding surface water. LR118 by Senator Hunt is a resolution relating to the powers of state government. In addition to that, communication from Senator Hilgers referring it (LR118) to the Reference Committee to be referenced to an appropriate standing committee. Your Committee on Enrollment and Review reports LB39A, LB306A, LB485A, LB566A all to Select File. Name adds: Senator John Cavanaugh to LB241. And finally, a priority motion. Senator Aguilar would move to recess until 1:30 p.m.

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HUGHES: Thank you, Mr. Clerk. Colleagues, we will resume debate on LR11CA after lunch with the queue intact. You've all heard the motion to recess till 1:30. All those in favor say aye. All opposed, nay. We are in recess.

[RECESS]

HILGERS: Good afternoon, ladies and gentlemen, welcome to the George W. Norris Legislative Chamber. The afternoon session is about to reconvene. Senators, please record your presence. Roll call. Mr. Clerk, please record.

ASSISTANT CLERK: There is a quorum present, Mr. President.

HILGERS: Thank you, Mr. Clerk. Do you have any items for the record?

ASSISTANT CLERK: Not at this time.

HILGERS: Thank you. We'll proceed with the first item on the afternoon's agenda.

ASSISTANT CLERK: Mr. President, continuing with the discussion of LR11CA, which was under consideration this morning. The bill had been placed on General File by the Revenue Committee with no committee amendments.

HILGERS: Thank you, Mr. Clerk. Continuing debate on LR11CA. Senator Geist, Senator Briese, Senator Brewer, and others are in the queue. Senator Geist, you are recognized.

GEIST: Thank you, Mr. President. Again, I'm continuing to listen and ask questions. I'm intrigued with this out-of-the-box solution as it's being presented by Senator Erdman. And in that vein, I have a question for Senator Erdman, if you would yield.

HILGERS: Senator Erdman, will you yield?

ERDMAN: Yes, I will.

GEIST: Thank you. We were talking off the mike a bit ago about being clear that this is-- this consumption tax is statewide, but it doesn't-- it also does or does not include local taxes. And if it does, can you explain more about how that works?

ERDMAN: OK. Let me-- let me see if I can understand the question. So you're talking about statewide taxes and then you're talking about

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local. Are you-- are you making an assumption with the local tax, like an occupation tax?

GEIST: No. I'm asking about like a local sales tax, like we have a state sales tax.

ERDMAN: OK. All right.

GEIST: We also have local.

ERDMAN: OK. All right, I get it.

GEIST: OK.

ERDMAN: So what will happen? What my impression is, what will happen, Senator Geist, is the local sales taxes that are in place now will be replaced by a local consumption tax. And so it'll be very similar to a sales tax. The difference will be, on a consumption tax it'll only be collected on services and new goods that will be consumed, and there'll be no consumption tax on used goods, which currently that happens, your sales tax on used goods now, which will not be after the consumption tax.

GEIST: OK. And then-- then let's just, for round numbers say, let's-- there's a 5 percent state and a 5 percent local, then when you're paying for a good in Lincoln, would then you be charged 10 percent or are charged the 5 that's local?

ERDMAN: OK. The current system in Lincoln, I think that there's about a 2 percent city sales tax, and then there's 5.5 percent for the state. So I think the net in Lincoln is like 7.5. It'll be very similar to that. If the voters put in place a consumption tax at 2.5 cents or 2 cents, that will be included in the consumption tax you pay at the cash register.

GEIST: OK. So that would determine what's divvied up to the city and what's divvied up to the state.

ERDMAN: Right.

GEIST: OK.

ERDMAN: And so what may happen, what will happen is, if you're a family of two, and you will get a consumption tax rebate equal to the-- to the consumption tax rate times that poverty level. So you-- your effective rate at the cash reg-- your rate at the cash register

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may be 9 percent or 9.9 plus the 2 cents, but your effective rate for the state consumption tax may be around 5.5 or 6.

GEIST: OK.

ERDMAN: So your total won't-- won't be any higher now-- then than it is now.

GEIST: OK. And then one other question is-- because of how the state is dispersed population-wise, and we're looking at consuming-- things that are consumed-- does that necessarily put the pressure of raising the-- the funds for the state in the eastern side of the state for population, where the population is heavier than dispersing that consumption across the state?

ERDMAN: Correct. The-- the-- the proposal would be the consumption tax would be collected statewide, and it'd be a state revenue that would be totally collected, and then distributed, based on the need to replace all current revenue that we currently collect. So our goal is, we collect about \$9.7 billion in all taxes today. And if we implemented the consumption tax tomorrow, we would hope to collect, and we plan to collect exactly \$9.7 billion. So every local unit of government and school will get the same funding, after the consumption tax is in place, as they do now.

GEIST: OK. Thank you. Thank you, Mr. President.

ERDMAN: Thank you.

HILGERS: Thank you, Senator Erdman and Senator Geist. Senator Brieser, you are recognized.

BRIESE: Thank you, Mr. President. Good afternoon, colleagues. I think earlier some concern was expressed about business inputs and whether we were certain they were going to be excluded, how we would define those. And I see that Senator Erdman has those excluded in the green copy of LB133. And-- and they're defined in a, I think, a very reasonable way there. And that is one area where you can run into issues, the defining what is or isn't a business input. And I think, again, that it's well-defined there and excluding it. Based on that definition, excluding those items, I think, would be a good route to take, but if you're worried about the taxation of business inputs, you know, you need to realize that currently roughly 45 percent of our sales tax base is comprised of business inputs. So I would suggest, if we do embark on the road towards a consumption tax, that we will most likely reevaluate all of our goods and services, going forward. And I

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would suggest that we would most likely end up taxing fewer business inputs and business expenses under a consumption tax than we currently are doing right now. But anyway, with that said, I would yield the rest of my time to Senator Erdman. Thank you, Mr. President.

HILGERS: Senator Erdman, 3:35.

ERDMAN: Thank you. Thank you very much, Senator Briese and Mr. Speaker. I appreciate that. I've had several questions over the noon hour, and I think it would be appropriate that I explain a bit about the prebate so we'll make sure we're clear on that. So if you have the handout that I gave you, that is the Beacon Hill study. And the Beacon Hill study, on page-- the page with the Graph 3, Table 3. It talks about-- it talks about the poverty level for a household size of one, two, three, four, five, six, seven or more. And then at the bottom, it talks about a married couple. So let's-- let's run through that again so we make sure we're clear on that. That prebate will be given to everybody in the state. And we will not know how much people make, as far as their income, 'cause we won't collect income tax. So every resident, every legal resident of the state of Nebraska will receive a prebate, equal to the poverty level times the consumption tax rate, on a monthly basis. And I was going to say this to Senator Ben Hansen when he asked me-- he asked the question: How will they get this money? Will it be a deposit in a checking account? Will it be a check written to them? Or how will they do that? Well, we had a Zoom call about two weeks ago, and we were visiting with Stephen Moore and Art Laffer, and a comment was made that perhaps we could do it like they do a smart card for SNAP benefits or those kind of smart cards. So if we had a smart card and we made a contribution to that smart card at the beginning of every month, if there was a couple, you'd have two smartcards. And once you've used up your prebate in the form of consumption tax, then you would pay the whole consumption tax. So that's one method we may use. The other method-- we may just have to put it in a bank account or or in a checking account so that you can use it that way. But a family of four-- let me say this again-- a family of four, the poverty level is \$26,200, and if you multiply that times the consumption tax rate that we're assuming it will be, that's \$2,604 a year in consumption tax prebate, or \$217 a month. And so you can use that \$217 for whatever you want. And it will offset any consumption you pay, up to the poverty level of \$26,200. So let me reiterate that no one-- no one will pay any consumption tax. A family of four won't pay a dime--

HILGERS: One minute.

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ERDMAN: --until you exceed spending \$26,200. That's important. That's an important process that we need to understand because we are going to be able to hold low-income, medium-income people harmless in this proposal. In fact, they'll be in a better position, going forward, than they are today because currently everybody pays sales tax in that first \$12,700 or that \$26,200. So those are the issues I think we needed to make sure that people understood. And if you have further questions about that, please ask me. Thank you.

HILGERS: Thank you, Senator Erdman and Senator Briese. Senator Brewer, you are recognized.

BREWER: Thank you, Mr. President. This has become a study of taxation, obviously property tax being the main one. And probably our most experienced, as far as writing legislation in the body, is Senator Briese. Is he on the floor now? I don't see him offhand. I would have asked Senator Briese, of all of the bills he's written-- and if you've been here the-- the four and a half years, you know that he has been absolutely driven to-- to try and figure out some solutions. I'd ask him which one he thought had the best hope, and then ask what was the vote count on it, because it-- it seems like no matter how he adjusts the numbers, how he adjusts what we were hoping would be something that would be a solution, it doesn't matter. It's-- it's not working out that we can come to a solution. Now I understand that consumption tax seems like a bridge too far. It's too big of a change; it's too different. I thought Senator Erdman brought up a good point this morning. You go to other states and the-- the Unicameral seems like something that's too odd, too different, and too hard. But we're living it, and we're figuring out that it has its advantages and disadvantages, but it's not impossible. Change is part of life. For those of us that had spent most of our life trying to figure out how to man the front for a-- a Red horde in Europe, that all changed in 1989 and 1990. And it wasn't long, and we gave up divisions after divisions, went from a 600-ship Navy to a 300-ship Navy. And at the time, it seemed like that was going to be a bad decision. And there had to be something wrong with that because the Army would be so much smaller and all the rest of the services. How can we do what we're supposed to do? It turned out it was painful but necessary, and we were probably leaner and meaner and better for it. It could be that that's what our state government may be if this was to pass. So what I'd like to do now is yield the rest of my time to Senator Erdman to explain what would a state government look like under his consumption tax if it was to pass.

HILGERS: Senator Erdman, 2:20.

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ERDMAN: Thank you. Thank you, Senator Brewer. And thank you, Mr. Speaker. Senator Brewer, I appreciate that question. I want to share with you the conversation that we had in-- in December of last year with Beacon Hill. I had asked Beacon Hill to do some research because I had made a statement that we would save \$1 billion in expenses for the state by implementing the consumption tax. Now I'm not coming here to tell you today that I did this consumption tax proposal to lower taxes or to cut spending, but it is a natural occurrence. Let me share with you what I mean. We currently-- the state currently owes somewhere in the range of \$780 million in tax incentives that have been earned by the tax incentives that we put in place, LB775 and the Nebraska Advantage Act, and the Imagine Act hasn't kicked in yet, but \$780 million. So how do you incentivize somebody for something that they don't owe? The second question that I ask is what happens to TIF financing? Currently we have TIF bonds that we give back to people, property tax of about \$120 million dollars a year. There will no longer be TIF bonds needed.

HILGERS: One minute.

ERDMAN: And how do you-- how do you incentivize somebody for something they don't owe? The other issue is what happens to the Department of Revenue. It goes away because it won't be collecting any taxes. And Art Laffer said that we spend about 30 cents for every dollar we collect on collection. So the Revenue Department changes, the TERC Board goes away because you won't have any valuations to bother with and all county assessors' departments will be eliminated because we're not going to keep track of value anymore. So you don't need to know how much your house is worth; we won't have to do that. So I contended that all of those things together would save about a billion dollars. And currently this budget is going to collect about \$9.7 billion dollars a year in all taxes. And if we lowered that by a billion, that's a little over 10 percent. And so if the current rate they figured was 9.8-- you do the math-- 10 percent of that is about 1 percent.

HILGERS: That's time, Senator.

ERDMAN: So we could be at 8.8. Thank you.

HILGERS: Thank you, Senator Erdman and Senator Brewer. Mr. Clerk, for an amendment.

ASSISTANT CLERK: Mr. President, Senator Blood moved to amend with AM1259.

HILGERS: Senator Blood, you are recognized to open on AM1259.

BLOOD: Thank you, Mr. Speaker. Fellow senators, friends all, I've listened to everybody's concern about property taxes and how important they feel today's debate is, and I agree. I agree with Senator Erdman that something needs to be done. And so over the lunch hour, I pontificated on this issue, and I remembered that the number one issue for me, when it comes to property taxes that's an easy fix, is, of course, funding our underfunded and unfunded mandates. Now we've had a hearing on that issue. In fact, if you remember, when we talked about this on a bill last week, there was an interim study that was done. And your local governments participated in that study and brought forward a list, I believe, of at least 16 items that were underfunded or unfunded to each and every local government that participated in that research. And so what did the Nebraska Legislature do with that study? Well, kind of what government tends to do with all studies or a lot of the studies-- I want to make sure I'm very fair. They took that three-ring binder and they put it on a shelf, and then they pretended it wasn't there. And you can tell that sometimes by the legislation that we pass. I still remember my freshman year we had a bill, and I believe it, Senator Stinner's bill-- and if I'm wrong, I apologize-- where we were to approve something that pertained to the Tourism Department. And we had just paid tens of thousands of dollars for a strategic plan. And for those of us that do strategic planning, we know that that's a living, breathing document. And you don't rewrite it every year because you get new management; you tweak it. And they were asking us for money that I wasn't going to give them for a brand new strategic plan. And government does this over and over and over again, at every level. And that's one of the reasons that I actually ran for office, 'cause I remember when I ran for the city council the first time, where they would discuss issues that I clearly knew that, as a taxpayer, I had paid for that research. But it was a big quandary. How are we going to make this happen? How do we do this growth? How do we pay these bills? So it's one of the dumb things about government, frankly, is that we ignore what people bring to us, because at the time we're not interested. We're all interested in property tax relief. We've had the hearing, we've done the research. We know that the start to property tax relief is funding unfunded and underfunded mandates. And so what my amendment does, starting January, 2022, is it allows the state to fund these unfunded and underfunded mandates, such as Senator Ben Hansen's bill this year, where we're forcing municipalities to pay for postcards, which I remember Senator Linehan saying that it was a small amount of money. And that's fine if people feel that way. But it's mandate on top of mandate on top of

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mandate. It's a little here, it's a little there, it's a little there. It's kind of like when you gain weight, right? I only ate one cookie, but I ate, like, a cookie then, and then, and then. And now, all of a sudden, I ate too many cookies. So this is also an issue that has to do with term limits, that we don't have the institutional knowledge that we used to have. And so there are a lot of rash decisions that are made. And so if people truly want property tax relief, what I propose to you today is AM1259, and ask you to seriously consider if you're willing to continually pass down these mandates to our schools, to our county, to our municipalities, and pretend that we're not the reason property taxes are high. What are you scared of? I know that the reason my property taxes are high are because of unfunded mandate, and I'd be more than happy to bring forward what I read to you last week, but I don't think I need to be redundant. I gave you numbers from Hall County, from Lancaster County, but specifically Sarpy County, because that's where I represent. That showed you the tens of millions of dollars that we expect them to pay for, and give them very few options on how they can pay for it. And guess what option they use, folks? Property tax. We come up with all these grandiose solutions. They're never really quite right. But we know, for a fact, the simplicity behind funding unfunded mandates. We're not opening the door to anything that's going to hurt anybody. We're helping each and every taxpayer. We gave away millions and millions of dollars to everybody's pet project this year, even though Senator Stinner suggested that perhaps we hold on to some of this money. And I respect the heck out of Senator Stinner, so when he tells me something, I take note. But I don't fault you for trying to get your projects through. But I do fault this body if we continue to ignore the unfunded mandates that affect every community in Nebraska. You want to give-- you want to get property tax relief to everybody, regardless of income, without making government bigger, by the way? We're not going to be hiring more people? We're not going to be trying to create specific funds that we have to take money from? But we need to be responsible if we want true property tax relief, and that property tax relief comes from this amendment. And so I ask that you vote green on my amendment, which then becomes the bill. And let's have true property tax relief without expanding the government, without encouraging people to start businesses so they can take advantage of the out that we've provided in this bill. 'Cause if I start a business, I don't have to necessarily make any profit for the first three years, according to the IRS. I can go ahead and buy my groceries and everything I want and not have to worry about it, unlike the rest of the public, by the way, when it comes to consumption tax. And so I ask you, for those of you that are saying that the bill is not ready

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for prime time. Mine is. Mine is ready for prime time. It's an easy-peasy bill. It just needs your green vote to move through. It's going to take it 30 seconds to read. If you listen to the debate, you understand all the long list of unfunded mandates we have in Nebraska. And I guarantee, if you pick up your phone and you call your counties and your schools and your municipalities, they're going to tell you this is a burden. And so, colleagues, I ask that you be brave today and push forward true property tax. Thank you, Mr. Speaker.

HILGERS: Thank you, Senator Blood. Debate is now open on AM1259. Senator Arch, you are recognized.

ARCH: Thank you, Mr. Speaker. I was next in the queue to speak on LR11 [SIC-- LR11CA] before Senator Blood dropped the amendment. I'm not prepared to speak on the amendment, but I would like to make a few comments on LR11 as we go forward hill-- here. Senator Geist used the term "intrigued." I thought that was a very good way to describe where I'm at right now. I'm intrigued by this concept. Senator Hilgers-- Speaker Hilgers, when he-- when he spoke, he talked about strategic versus tactical. And-- and that is why I'm-- I am intrigued, because we know that we've gotten where we are incrementally, one exemption here, one tweak there. We come back, and we add more-- add more funds to property tax relief. Incrementally we are where we are. And the number of statutes and the number of years that have passed would-- would be a-- would be a high stack. Can we get out of it incrementally? Can we-- can we really improve without a major change? And I'm not sure that we can, which is why I'm listening very carefully to this particular debate. But I have-- I have questions, and I'm not going to engage Senator Erdman. I'm actually going to give you a little time when I'm when I'm finished here, if you want to respond to some of these. But these-- I picture myself standing before my constituents, and as-- as they ask me questions. And am I going to be able to answer the questions of-- of it-- one-- one large one. And that is that we know that-- we know that tax policy shapes taxpayer behavior. We know that-- that we all respond differently to tax incentives or higher taxes. We are-- we are self-motivated to-- to preserve the dollars that we have. And we-- we change our behavior. And so what-- what-- what would we see in taxpayer behavior? How would that change as a result of this? And-- and I don't know that there's a very clear answer to that, but that's one of the questions that I-- that I certainly have. One has to do with, also, the centralized power that would occur at the state level, where the state would control. And, yes, there would be a formula for distribution, but the state would control. Would we now start the pol-- would we-- would we now start the process of coming back with: Well, let's exempt that now,

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and now let's exempt that. And pretty soon we find ourselves in a similar situation, not the fault of this bill, but human nature as it is, perhaps. We know that-- we know that this, that the success if this were to go forward, the success of this would rise or fall on the details of that LB133. That's what I think anyway, those details being very, very important. And-- and honestly, at this point, LB133, has had a very serious run at it. But at this point, I don't have that level of detail, certainly, to explain to my constituents, should we-- should we push on LB133 to get those level of details before advancing out LR11? That's just a question. And with that, I would yield my time to Senator Erdman.

HILGERS: Senator Erdman, 1:46.

ERDMAN: Thank you, Senator Arch. Thank you, Mr. Speaker. Senator Arch, let me take a shot at what will the taxpayer look like. The taxpayer will look like this, I believe. They will have an opportunity to refurbish, rebuild, or do things to their property that they normally don't do now, because every time you do that, your property tax goes up. And consequently, taxpayers will spend their money to do things and they will save money that they don't normally save now. It will create savings. People will be encouraged to save. People will be encouraged to fix their properties in a way that they don't now, because every time you make a change-- I'll give you an example. I put central air in one of my rental properties, and the assessor raised my value \$5,000. Cost me \$1,500 to do that, but my value went up \$5,000. So--

HILGERS: One minute.

ERDMAN: --one has to take into-- did you say time, sir?

HILGERS: One minute.

ERDMAN: So when you make that decision on what you're going to do, always the tax implication comes into play. And when businesses make decisions on what's best for the business, they never make that decision until they understand what the tax ramifications are. When the consumption tax goes into place, you will no longer need to make that decision on a state tax basis, because the taxes you pay will be what you pay to refurbish, rebuild, or restore whatever you're doing and then you own it. And as was said earlier by Senator Brewer, if you don't think you don't own your property, don't pay for three years and see who owns it. And so I think the whole taxpayer attitude will change, and the attitude that they will work-- they won't work as hard

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trying to avoid paying taxes as they currently do. People spend a lot of money and a lot of time to avoid paying the taxes that they currently do pay. And as I mentioned earlier, Art Laffer thinks one half of all taxes that should be collected--

HILGERS: That's time, Senator.

ERDMAN: --is not, because people find a way to get around it. Thank you.

HILGERS: Thank you, Senator Erdman and Senator Arch. Senator Hunt, you are recognized.

HUNT: Thank you, Speaker Hilgers. Good afternoon, Nebraskans. Good afternoon, colleagues. I rise against LR11CA. I haven't had a chance to look at AM1259 yet, but I'll talk to my friend, Senator Blood, about that when that comes up for a vote. I have a couple of things to talk about on the record today. But what frustrates me about proponents of LR11CA is that, instead of being frugal with our money because we don't have a big population, which is an argument for this bill that proponents have made, why don't we just see what we can do to increase our population, colleagues, instead of this constant race to the bottom, to be the cheapest state to live, to spend the least money, to have the smallest budget? Why don't we take the problem seriously of increasing our population here in Nebraska, and making this a state that's actually attracting more people, more young professionals, more families? And I and many other members have outlined how we can do that. And you regularly hear from your young constituents, and young professionals, and people who are future-facing, about how we can attract people to our state. But people here are more interested in holding up the status quo than doing anything to bring us out of the 1950s. You are all in a hamster wheel going around and around and around, trying to figure out the solution, trying literally any harebrained idea that comes your way, except for the ideas that will actually work, that Nebraskans are telling you, that will actually work. And there's nothing I can do except point it out and continue to talk about the issues and solutions that Nebraskans say actually matter to them. And we can get some more people in the state, we can prevent young people and workers from being desperate to leave. But those aren't the solutions we're talking about. Instead, we're talking about an extremely regressive tax overhaul, where a young family making \$40,000 a year could pay the same in taxes as a family making \$140,000 a year. OK. But then we talk about the prebate, so actually poor people are going to be really, really well off under this system. Well, why is it that so many

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senators, who are championing the consumption tax and are saying it's all going to be OK because the poor people are going to get a prebate, these are the same senators who oppose things like universal basic income or things like Medicaid, things like student loan forgiveness, things like food assistance, things like unemployment expansion? To me, it's some real mental and ideological gymnastics to get there, and if LR11CA passes, if it makes it through three rounds of debate here and it gets to the ballot, you all are going to feel like those people who voted for Donald Trump as a joke. And then he actually wins and everyone goes: Oh my God, this has been a mess. What have we done? Because when it gets to the ballot, it'll pass. You know that, statistically, once something gets on the ballot, voters are likely to check yes. There's going to be millions of dollars from lobbyists and special interests coming into Nebraska to lobby one way or another on this-- on this constitutional amendment. Why do you think that the executive administration, the executive branch of Nebraska was so freaked out about the medicinal cannabis petition? Because they knew if that got on the ballot, it would pass without a doubt, because once things get on the ballot, they're likely to pass. So to me, this is-- it's not a solution that's going to work for Nebraskans, and this is based on what Nebraskans tell me directly, what Nebraskans tell all of us directly about the policies and the programs that they say will lift them up, that they say they came from other states, and this was something great about where they lived, or they say they're looking at leaving Nebraska because other places have these great benefits and great programs that we don't have here. No one is saying: Please get rid of all types of taxes and just do a consumption tax. This is kind of a fringe idea. I think it's an interesting--

HILGERS: One minute.

HUNT: --philosophical experiment. But I think that that's kind of the realm that it needs to stay in, is in the realm of political theory. We debate lots of things on the floor here, where folks stand up and they praise the introducer, and they say: Oh, thank you for introducing such a clever idea. This is so creative. This is so outside the box. A straight consumption tax has been an idea for a very long time. This is a classic conservative idea. And the reason that this hasn't passed in most states, even the "live free or die" states, is because it's so regressive, because, you know, in economics, if everybody lived forever and nobody ever made any mistakes, then something like this would work. But that isn't the realm of reality. And so it's really fun to think about all these experiments and theories about, you know, politics and economics. But it's really more of an academic exercise to me, and it's not something that will work in reality. I also have

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some comments to make about LR107 and the subsequent resolution that I introduced today,--

HILGERS: That's time, Senator.

HUNT: --LR118. Thank you, Mr. Speaker.

HILGERS: Thank you, Senator Hunt. Senator Machaela Cavanaugh, you are recognized.

M. CAVANAUGH: Thank you, Mr. Speaker. Good afternoon, colleagues. I did have an opportunity to look at Senator Blood's amendment, and I definitely agree with it. I know that I've received lists of things that have been unfunded mandates from our counties and municipalities, and things that used to be funded at the state level and no longer are. So I definitely support moving in that direction. To the underlying resolution, I am just enamored with the conversation today. This has been so much fun to listen to, to hear the diverging viewpoints on this. I have talked to Senator Erdman about this bill since day one. I have been very fascinated by it. This-- this-- this concept of-- of taking a social organization which advocates that the means of production, distribution, and exchange should be owned and regulated by the community as a whole. Like, yes, this is such a fascinating concept that we are embarking on. And it's appropriate that we are having this debate today on May 5, which is the birthday, the 223rd birthday of Karl Marx, the founder of socialism and social economics. So I'm just sitting here, listening to all the conversations about this redistribution of wealth, and a part of me is just cheering it on. And a part of me thinks that there's a lot of things that need to be fixed about this and the approach to it. But I just love how many of you are engaging in this redistribution of wealth conversation, and supporting it. I saw in the paper that Charles Herbster, who's running for Governor, supports this socialist agenda. And I was like: Whoa, this is amazing. We, like, have a whole bunch of closeted socialists in Nebraska that are in the Republican Party and in leadership. I am flabbergasted. I didn't know that. I myself am not a socialist, but I-- I-- I welcome you and your-- your views. I do think that there's, you know, some further issues, with how we're approaching this redistribution of wealth and the consumption tax, that are still not equitable, if that is, in fact, the object of this LR. But I look forward to hearing this conversation for as long as it goes today. This is-- I'm not going to keep talking on it. I just wanted to stand up and share my enthusiasm for the debate and your advocacy for a socialist agenda. It's fascinating. So thank you. I yield the remainder of my time.

HILGERS: Thank you, Senator Cavanaugh. Senator Lathrop, you are recognized.

LATHROP: Thank you, Mr. President. Colleagues, good afternoon once again. You know, I've thought a lot about what Senator Arch just spoke about, which is how will taxpayer behavior change with a flat tax. We see how it happens. People set up corporations, and other corporations, and other ways to dodge paying taxes under our current system. In fact, Senator Erdman talked about how Warren Buffett only paid \$7 million in taxes on maybe \$12 billion in income. And-- and it got me thinking that-- well, let me ask Senator Erdman some questions if he'd be happy-- if he will yield.

HILGERS: Senator Erdman, will you yield?

ERDMAN: Certainly.

LATHROP: Senator Erdman, would this consumption tax-- tax apply to services?

ERDMAN: Did you say services?

LATHROP: Yes, sir.

ERDMAN: It would be applied to services that aren't business transactions.

LATHROP: OK. And you and I talked in the hallway. So if someone's paying a lawyer fee. For example, if I went in personally and had an estate plan prepared, and I had to pay the lawyer, I'd pay sales-- I'd pay a consumption tax on that.

ERDMAN: Correct.

LATHROP: But if I go in as a business owner and prepare a plan for selling my business or a-- yeah, a business succession plan, that would not be a tax on the attorney fees at that point.

ERDMAN: That's my understanding.

LATHROP: OK. So what about medical care? Are we going to tax that? If I go in and I have a bunion removed, am I going to be taxed on the services of the podiatrist?

ERDMAN: Do you have insurance?

LATHROP: Let's say I don't.

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ERDMAN: If you don't have insurance, then you would pay a consumption tax on the service that was rendered to you. But if you had insurance and the insurance paid the podiatrist, there would be no consumption tax between the insurance company and the podiatrist. And if you had a copay or out of pocket, you would have a consumption tax on the copay or out of pocket, but you wouldn't have [INAUDIBLE].

LATHROP: On the out-of-pocket expense. OK. So now I got another question for you. Let's say I go see the chiropractor and I have no insurance. Will I pay a consumption tax on the fee the chiropractor is going to charge me for their services?

ERDMAN: Yes.

LATHROP: What if I am an athlete? What if I play in the NFL, and my body is my business, and now I want to go have the chiropractor adjust me because I just played in a game on Sunday, and Monday morning I want to get a manipulation?

ERDMAN: If you've been--

LATHROP: I'm an athlete, and that's my business.

ERDMAN: I think if you-- if you can convince the government that your body is a business, I think you'll probably be exempt. Otherwise you're going to pay.

LATHROP: What if I'm a trainer? I work at Prairie Life Fitness Center, and I'm a trainer. My job is to train people, and I do a bunch of exercises with them. And after a while, my back starts to hurt. And now I need a manipulation.

ERDMAN: That's a personal service. Right?

LATHROP: Well, but I'm an athlete. I'm-- I'm now a trainer at Prairie Life.

ERDMAN: So is that a-- is that a business? Are you a business, as an individual?

LATHROP: Yep. I've incorporated. I am Steve Lathrop, Trainer, PC-- or S Corp or whatever those things are. You can tell I'm not a corporate lawyer.

ERDMAN: Yeah-- not-- I can tell you're a lawyer, but I'm not had-- I'm not that had that question before. And as I said earlier on the

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microphone, there are questions that I can't answer. And when I find one I can't answer, I'm going to tell you I can't answer it. And so--

LATHROP: That's fine. And I appreciate that.

ERDMAN: --for whatever reason the question was asked, I can't answer that.

LATHROP: OK. I appreciate that. We're-- we're looking at--

HILGERS: One minute.

LATHROP: Here's another one for you. What if I-- if I'm a construction company and I buy a truck, that would be exempt, would it not?

ERDMAN: That's correct.

LATHROP: What if I start a Mary Kay cosmetic business? I work this out of my house, and I buy myself a pink SUV to drive from place to place? Now I'm using my pink Cadillac to go sell cosmetics at somebody's house.

ERDMAN: Is your Mary Kay business registered as a business?

LATHROP: Sure.

ERDMAN: OK, you'd probably be exempt.

LATHROP: So when we-- thank you. When we talk about taxpayer behavior, colleagues, you can avoid paying this consumption tax on a brand new car by setting up a corporation, just calling yourself some kind of a corporation. You can do any one of a number of pyramid schemes like a Mary Kay or an Amway or something like that. You can say that you prepare taxes and you got to have a car to go to people's--

HILGERS: That's time, Senator.

LATHROP: --homes. Thank you.

HILGERS: Thank you, Senator Lathrop and Senator Erdman. Senator Clements, you are recognized.

CLEMENTS: Thank you, Mr. President. I stand in-- up in opposition to AM1259. It's-- I think it is true there have been unfunded mandates, and they need to be dealt with unless we pass consumption tax, because property taxes are completely eliminated by LR11 [SIC-- LR11CA]. And so the claim that this amendment would reduce property taxes, I think

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the better way to do would just be to adopt LR11. This amendment would be a small decrease. There are \$4.3 billion of property taxes paid annually, and I don't think there's anywhere close to that of unfunded mandates. So it might be a small decrease, but property taxes, income taxes, sales taxes, and inheritance taxes would still be paid. And that would-- this amendment would be a small adjustment to where we're at right now. And so I oppose AM1259, and would yield the rest of my time to Senator Erdman.

HILGERS: Senator Erdman, 3:40.

ERDMAN: Thank you. Thank you, Senator Clements. Thank you, Mr. Speaker. So let me-- let me speak to Senator Lathrop's comments, if I can. Those are the things that currently happen, as he described there. Those are the things that happen now. I had mentioned earlier that 50 percent of the taxes that normally should be collected is collected. So to stand up and say we're going to create a bunch of people that will start businesses to not pay consumption tax, that's exactly what's happening today. So we are assuming that everybody pays all the taxes that they currently owe, which is not true. And so I wanted to touch on another thing that I think we need to make sure that it's made perfectly clear, is we talked this morning several times about property tax relief for agriculture. Well, I want to tell you that property tax relief for those people who live in Lincoln and Omaha is just as important as it is for those who live on the farm, just as important. And Senator Lathrop, when you visited last week, you said you had a widower who couldn't afford to pay his property tax, was going to have to leave his house. This will solve that issue for him. So this is not only an urb-- a rural issue, it's a urban issue. It's also a income tax issue. So these issues affect everybody in the state. It's not an agricultural issue, it's not an urban issue; it's both. And so if you don't believe that property tax is an issue in Lincoln and Omaha, evidently you don't own any property. I do. And I understand how much it's going up. And it reminds me of what's happened in agriculture in the past. And so this is an issue that deals with all of the taxes, no matter where you live. And the other issue that we talked about was the exemption from seed, fertilizer, and chemical, and inputs that farmers have. Businesses in Lincoln and Omaha will have the same advantage. The steel company that sells steel to Kawasaki to make rail cars, they will have no consumption tax on the inputs that they buy, as well. So not only will this benefit agriculture, it will benefit the businesses in urban Nebraska, as well. It is a fair tax. It taxes everybody the same, and it will be an opportunity for old people like myself, who have to make a decision whether to pay their medication or their property tax. They will stay

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in Nebraska by their grandkids. People move to Florida, people move to Arizona, not because they like 115 degrees and 90 percent humidity.

HILGERS: One minute.

ERDMAN: They move there because of the tax situation. Those states that don't have income tax are growing. The states who have income tax are not growing. So we're going to solve the problem, not only for rural Nebraska, but for urban Nebraska. And the comment that people will set up corporations to get away from paying taxes is no different than what they currently do. And so if we make the tax less regressive, there's less chance they'll hire somebody to try to circumvent the taxes instead of paying it. And that's what the consumption tax will do. It's a fair tax and you can never be overtaxed. Thank you.

HILGERS: Thank you, Senator Erdman and Senator Clements. Senator Moser, you are recognized.

MOSER: Thank you, Mr. Speaker. Well, this is certainly an interesting discussion. It's-- I think it's a-- kind of a massive disturbance in the flow of tax. And any time you have kind of a massive disturbance kind of event, like COVID or any number of things that really change the way you're doing things, people all try to work it to their advantage. And there's going to be--I think they're going to be a massive effort for everybody to try to get leverage and improve their situation, improve their-- increase their budgets, take care of problems that they haven't been able to take care of in the past. And I-- I don't see the controls here to try to control that. Would Senator Erdman respond to a question?

HILGERS: Senator Erdman, would you yield?

ERDMAN: Yes, I would.

MOSER: So I haven't heard this-- or at least if we've discussed it, I didn't hear it--a discussion about how the schools are going to be funded throughout this. They're one of the biggest costs. I mean, the local property tax is probably-- \$3 billion of the \$4.5 billion is for schools, probably two-thirds of it. And then we give them a billion and a half from the state. So, you know, how would we-- how would the schools be paid? How would we control what they spend? How would anybody control what they spend?

ERDMAN: Well, my initial indication, Senator Moser, was that we would leave the TEEOSA formula in place. And after seeing what Senator Wayne

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tried to do yesterday, I maybe want to rethink that one. But irregardless, here's what I believe would happen. The local school would receive exactly what they received before we put the consumption tax in place. There are provisions in their school budget that allows them to spend a certain amount of increase every year over the year before. Most of those are 2.5 percent. Plus, if you get a majority vote, a major majority vote of the board, you can go to 3.5 percent. And I believe that will be the same method that will be used going forward, that that education will receive the same funding they currently receive. But the funding will come from a different source, Senator Moser, it won't come from property tax. It'll come from consumption tax. My goal is not to cut spending to education. My goal is to make sure education is funded the way they're funded now, from just a different source.

MOSER: You're not aiming to increase or decrease their funding?

ERDMAN: I am not.

MOSER: Do you think that this puts a lot of pressure on the county board to come up with a spending formula for all these different entities that spend money?

ERDMAN: It won't be an issue for the county board. The way I envision it, each county will collect those-- those budgets that have been approved by those local units of government, and they'll send them to the state. The state will cut one check to the county treasurer, and the county treasurer will distribute to the local units of government.

MOSER: How would you exert local control over schools, counties, really any entity, if the money comes from the state?

ERDMAN: Well, currently there's no local control over their spending now, except for the limits that we've put in place. And I would make the assumption-- and that's why we need to work out the details-- but I would make the assumption that if you fell within the 2.5 percent spending lid or any other of the qualifications that have been put in place, that your budget would be approved according to the stipulations that we now have or the restrictions that we have. So it would be that-- that regard. I don't look is the county,--

HILGERS: One minute.

ERDMAN: --the place to scrutinize whether the budget is correct or not.

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MOSER: OK, we don't have a lot of time. The actual ballot language-- I was just talking to your aide there-- is in the last couple of paragraphs or two--

ERDMAN: That's correct.

MOSER: --second and third and last paragraphs. But it doesn't specifically say a lot of the things that you're interpreting and how this tax would work. Would with the Legislature be able to then add those-- fine tune this process afterwards, in arrears after the--

ERDMAN: Yeah.

MOSER: --citizens have approved it?

ERDMAN: That's exactly right. It-- the Legislature-- what it says is it would require the Legislature to enact the consumption tax. That's where the LB133 comes into play. When you begin to put more than one item on a ballot initiative, then you have now violated the single subject issue, and it won't pass muster, and it will never make it to the ballot. So on the ballot, it'll be a single issue,--

HILGERS: That's time, Senators.

ERDMAN: --and then those other things will have to be dealt with in LB133.

HILGERS: That's-- that's time.

ERDMAN: OK. Thank you.

HILGERS: Thank you, Senator Erdman-- thank you, Senator Erdman and Senator Moser. Senator McDonnell, you are recognized.

McDONNELL: Thank you, Mr. President. Good afternoon, colleagues. As I mentioned this morning, starting to have these discussions with Senator Erdman back in December of 2019, this is how he's-- how he's handled it. With a-- anything I've brought up, and the concerns, and trying to get clarifications, and trying to work through this, that's part of the process. And I know he's going to continue to do that. And that's-- that's the goal is to keep getting-- to keep having you ask the questions. And-- and he's going to-- if he doesn't have an answer right now, he's sure going to work on it and-- and find out. And that's why I think, if we could give support today to Senator Erdman to move this legislation on from General to Select, so he can continue to bring back information to us and have this-- this discussion. So I

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appreciate the effort and the time Senator Erdman has put in prior to today. I know that he's going to continue to do as we go forward. I will yield the remainder of my time to Senator Erdman.

HILGERS: Senator Erdman, 4:06.

ERDMAN: Thank you, Senator McDonnell; I appreciate that. I-- I should have spoken the last time I was up. I am opposed to AM1259. I would assume that you made that decision-- or that conclusion. But going forward, Senator McDonnell has said it is my goal to make this work right. I will tell you that, of all the things I've ever done, I've never done anything more difficult than this one. And it has to be right. I understand. it has to be right; I get that. And I consider that to be a very serious issue. And so any information that we have gathered today from your questions, and any of those questions that we've had asked that I don't have answers for, we need to work on that. But what I'm asking today is, agree with the concept-- agree with the concept that the consumption tax, one flat consumption tax on new goods and services, is the answer to fix our broken tax system. And all of the questions that have been asked today about the implementation-- Senator Moser asked about funding schools-- all of those questions that have been asked are the questions that we need to deal with going forward, when we do the implementation. And that's what the constitutional amendment says, the consumption tax shall be enacted by the Legislature. Now we have a difficult situation where we're trying to work with the implementation of something that has not been approved by the voters. And so it's very difficult for us to come to a conclusion how things are going to work when we don't have the opportunity to actually deal with and work with LB133, because that's not the-- that's not what's on the floor today. What's on the floor today is the constitutional amendment to allow the voters to vote on removing sales tax, income tax, corporate and individual, and property tax, and inheritance tax, replacing that with one flat consumption tax. That is what is on the floor for discussion, not LB133 or the implementation of that. But I understand the two go hand in hand. So it's very difficult for us to fix the issues that you've asked about in this short period of time. That's why today I'm going to ask you to move it to Select, because Art Laffer, the-- the author of Prop 13 for California, one of the greatest supply economists in the nation-- is going to be here Thursday night, tomorrow evening, for to answer questions, specifically answer a question about the-- the insurance issue. I'm sure Art would have an idea how to deal with that. Those are the issues that we need to ask Art Laffer tomorrow evening. So what I'm asking is, agree with the concept. If you do agree with the concept, then let's move it forward so we can have more discussion on

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getting answers to your questions that you've asked today. As you have seen from my answers, I don't have all of the answers. And the ones that I didn't have answers to, I said I did not have answers, but I'll work on getting those. So I appreciate it, Senator McDonnell, Senator Halloran and Brewer and Clements, and all those who've worked with me trying to make this bill better.

HILGERS: One minute.

ERDMAN: That's what we need to do. And so I appreciate that. And I-- I would hope that those watching today at home and on your computer, that you understand this is about you, the taxpayer. This is about you having an opportunity to choose how much taxes you pay and what taxes you pay and when you pay them. So that is the concept we're trying to get across today. And I appreciate yielding my time. Thank you.

HILGERS: Thank you, Senator Erdman and Senator McDonnell. Senator. Groene, you are recognized.

GROENE: Thank you. I stand in support of LR11CA. Why? Because when measuring the fairness to the special interests' privileges and burdensome reliance on property taxes, on the homes of the working family and the foundation of our state's economy, agriculture, the tax system we have today is nothing to brag about or anything to defend. So I do not see any reason why a shift to a fair consumption tax would not be a better and fairer tax system. I found it interesting today that the first opposition to LR11CA didn't come from taxpayers through their representatives, but from the lobby, to two senators who defended the insurance industry, not their constituents, but an industry-- special interests, the lobby on the special tax breaks that they received. That's all we do here behind the glass. We got to be honest, there's three branches of the Legislature, legislative branch in Nebraska. It's the Unicameral, it's the second house-- the people, and the third is the lobby. And if you examine our tax codes, you know who rules: the money and the lobby. And who pays is the average worker wearing blue jeans who just wants to live in a home and raise a family. The consumption tax is fair. Look at the bright side, folks. We can get rid of. The Revenue Committee; it would have no purpose. We'd get rid of a third of the bills on the floor. We'd get rid of the special interests where what, three or four exemptions we're going to pass again on sales tax because of the lobby brought the bill. Every year I've been here, there's been more exemptions because of the lobby. That all goes away. We don't need a Revenue Committee. What we would need is a consumption tax-setting committee. They would just set it every year for the needs of the state-- fair. We wouldn't need a--

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a county assessor any more in any courthouse. Thank God. I don't want my neighbor to know what value-- properties I have and the value of them. It's my private business. We would need a very scaled down treasurer-- treasury, county treasurer, collecting maybe the fees from the licensing of vehicles-- more savings for the local government. LR11CA would effectively eliminate the lobby behind the glass in many ways. I have been part of attempts, with Senator Erdman and others, to do legislation through the second house petition drives on property taxes. Three years ago we attempted, but we got had-- we got conned. The person who stepped forward and said they would be the sponsor of the petition was controlled by the lobby, and after we got fired up, pulled his support and the petition drive died. Last year, Senator Erdman's effort was a good effort, but it was a victim to COVID-19. You can be assured there will be a third effort. It may be LRCA-- LR11CA-- or another issue. And this time it will be run by the grassroots, by the people who will not be chasing the money of the special interests. The people of Nebraska will stand up, and they will do property tax relief. I will guarantee you that. I truly believe this needs to go to Select. As far as--

WILLIAMS: One minute.

GROENE: Why would anybody argue about-- is this this? What do we do for this? What do we do for that? What do we do for the schools? We do that every year here. We tweak this, we tweak the tax code, we exempt more from sales tax. We raise the levy here. We lower to cut the levy there. We-- we do it every day because the tax system we have today is flawed, and flawed badly. And who has the-- and how it has changed, and who has the most dramatic scream and yell behind the glass, and the most money for elections, and they get the tax code changed. Let's be realistic. We have a flawed system now, and people are leaving Nebraska. They're not coming to Nebraska, especially the retirees. Thank you.

WILLIAMS: Thank you, Senator Groene. Senator Blood, you're recognized.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, I hope everybody is sticking with me and actually listening to what I'm bringing forward today. I know sometimes when we bring forward serious amendments, we get silliness back, saying that we're being disingenuous [SIC] or we're not being authentic. I-- I'm dead serious on my amendment. I can't stress how serious I am on this amendment. Before I get started, though, I just want to address Senator Halloran. Senator Halloran, I've said the word "plucky" to both Senator Erdman and Senator Linehan multiple times over the last few years, because it

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means determined courage, because I really do respect the fact that they work so hard on the issues that are important to them. Apparently utilizing the word "little" in between the words, a plucky little guy offended somebody. And if that indeed offended somebody because they thought I was referring to their size, I apologize. But I'd like to clarify that I didn't call him a boy. Senator Halloran, you don't have permission to call me a little girl. You can call me plucky little gal, you can call me a plucky woman, but never use the term "girl" on the mike at me. Thank you. With that, moving forward, I'm going to start reminding you about the unfunded mandates and the true costs to Nebraskans. So let's talk about housing state prisoners in county jail facilities, including pretrial trial detention for deten-- defendants who were later convicted of state crimes. In '98, this body passed LB685 as a property tax relief measure. Hmm, more property tax relief. The legislation created the county jail reimbursement fund, and appropriated \$6.9 million to reimburse counties for expenditures that they had been incurring while housing state prisoners and defendants who were charged and later found guilty of a state crime. It also set the reimbursement rate at \$35 a day. At that time, the cost to counties for housing these individuals actually ranged between \$50 and \$100 a day. Today, these costs would range anywhere from \$90 to \$140 a day. In 2001, the county jail reimbursement fund was fully funded. However, during the 2002 budget special session, this fund was reduced to \$3.9 million in funding each year. County jail reimbursement through this fund ended entirely in 2011. In my county, this loss of jail reimbursement meant a loss of approximately \$200,000 a year-- just for this one thing, by the way. There's a long list of other ones I'm going to address. However, because the original jail reimbursement model did not cover the real cost of housing these inmates, the actual loss to my county was over \$1.7 million in 2013 alone. But let's talk Lancaster County, for my Lincoln senators. For housing state inmates in 2018/2019, the cost was \$13.2 million-- not chump change, \$13.2 million. I'm telling you, folks, unfunded mandates, underfunded mandates are the root cause of our property tax issues, based on what limited resources local government has to pay for these unfunded mandates that we keep passing down. And I wonder if anybody's listening because most everybody's got their backs turned to me. We can't keep getting solutions that we choose to ignore because--

WILLIAMS: One minute.

BLOOD: --we don't think it's sexy enough legislation to bring forward. Let the voters vote on this. It's a one issue topic, right? The Attorney General has ruled on this legislative resolution as not being acceptable because it involves more than one topic. Senator Wishart

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can tell you all about that on her medical marijuana bill. It's like we're blind, deaf, and dumb some days; and I don't get it. This information is here. Read it. I've got all kinds of things on paper. If you want copies of it, I'm happy to make you copies. I don't want to waste taxpayer dollars making too many, but I'm happy to share with you. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Blood. Senator Flood, you're recognized.

FLOOD: Thank you, Mr. President, members. Would Senator Erdman, like my time? Somebody shared with me that he'd like to have more time.

WILLIAMS: Senator Erdman, you're yielded 4:40.

ERDMAN: Thank you. Thank you, Senator Flood; I appreciate that. Thank you, Mr. President. So we have had now a thorough discussion. We have tried to answer as many questions as we possibly can. I'm not sure where the vote is, but I will say this tomorrow. Tomorrow evening, Art Laffer will be at the Hruska law firm from 6:00 to 9:00, if we get out early or if you have time to sneak over there and ask questions. And Senator Williams, I would appreciate it if you had an opportunity to visit with Art about your insurance question, I think that would be an appropriate question to ask Mr. Laffer. I appreciate his willingness to come here to answer the questions. He has been very, very supportive of what we're trying to do here and-- and understands the concept. He has already discovered and has information to show that those states that don't have any income tax are doing far better than us who do have income tax. And so that is an issue. He said that your property tax, your income tax, and the whole tax system in Nebraska is a race to the bottom, and it doesn't look like at any time in the near future it's going to change. And so you would have an opportunity to visit with him, and he can share those words with you directly from him. But as we have had that discussion today, and I've tried to answer those questions as best as I can, I would encourage you, as you consider this vote coming up-- and we'll vote soon-- that you would advance it to Select so that we'd have an opportunity to visit with Art Laffer. After we have had that conversation, I would-- I would hope that you would understand what it is we're trying to do in a way that would change your vote, if you're not in favor of it today at this time. And so I would say, again, I appreciate all those who have helped me thus far. And I would say this to those who are watching on their computer at home. This today, this discussion has been for you. This is what we do here is we have a discussion. But I wanted you to know first and foremost, this is the first time in a long time that the taxpayer has been considered first. And so we need to change our

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focus. And I want to make sure that that's made perfectly clear. Thank you.

WILLIAMS: Thank you, Senator Erdman, Senator Pahls, you're recognized.

PAHLS: Thank you, Mr. President. Senator Erdman, I said I would help vote this out of Revenue to get it on the floor so we can discuss it some more. And I've been listening intently, and I-- I keep going back and forth on this. I need to say one thing. I'm not afraid of putting this to the vote of the people, to be honest with you, because as was mentioned earlier, this body fought gambling for years. Guess what? The people voted; they have gambling. This body said, we want to stop the death penalty. Guess what? The people voted for; no, they wanted it. So I do trust the people having the ability to make those decisions. The issue that I have is, I still don't have a complete grasp of this concept. I've been listening. And I have to be very honest with you, Senator. You have been answering these questions way beyond what I thought would be possible. But there are still some things out there, and I don't know if this is ready to go to the will of the people, because if I were running this to a campaign, I know what I'd talk about. I would talk about all of the good, extra good things that are going to happen. But there are there's a downside. I'm trying to take a look at this inside of me. This tells me this is skewed to certain parts of the state. I'm not saying that's right, but that's what I feel. But one thing about it in here-- 'cause I have a little humor here. But I did like, in one of your brochures, it's good to know that Valentino's pepperoni, they don't have to pay taxes on that-- good to know. And if I do go to Borsheims to buy diamonds, they do not have to pay a consumption tax on that if they make fine jewelry. So I am learning some things, and I'm trying desperately. I just need more time. And I don't know if passing this to Select-- I don't know if we could get to that point. Can you make me that much smarter in a few weeks or a few days? I know you've been working on this a long time. I can tell because-- by the smile on your face and the dedication that you have to this idea. I'm not there yet. I will-- I-- we do need changes. I'm not going to argue that. But I don't-- I don't know if I have the information inside my noggin to make a-- to make an intelligent decision. Passing this to Select, I don't know if that's enough time. I'm not saying never do it, but I just-- I just don't know if that's enough time. I'm trying to be as honest as I possibly can on this, because I do believe that the-- 'cause when we talk about property tax, as you've heard me say before, Douglas County pays a lot of property tax compared to 72 other counties. So it is an issue with us. I'm just going to say, Senator, keep striving, and I'm trying to get to that side. Thank you.

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WILLIAMS: Thank you, Senator Pahls. Senator Briese, you're recognized. Senator Briese is not on the floor. We'll skip over. Senator Hunt, you're recognized.

HUNT: Thank you, Mr. President. As I said, I wanted to talk about LR107. I rise in opposition to LR11CA. I'll support Senator Blood's AM1259. But since we're taking time, I wanted to speak about this resolution on the record. Once again, this resolution was introduced by Senator Groene, and it was cosigned by 30 other senators, many of whom-- and I won't out you-- confessed to me that they signed this without reading it, and they regret it. And if this resolution, which is going to be heard Thursday in the Executive Committee at noon-- and I don't think that noon to 1:30 p.m. is going to be enough time to hear, from the second house, all of the testimony for and against this legislative resolution. I think this is probably something that needs a more substantive hearing if this is something that the Legislature is going to pass and put on our legal historic record as an official position of the Legislature, that we're asking the Governor and the Attorney General to take action on behalf of the state. So I wanted to read this resolution into the record, because if this doesn't come out of committee, there still needs to be some kind of record about what was attempted in this body in terms of, frankly, messing with our democracy and undermining our democratic process. The resolution reads, "Now, therefore, be it resolved by the members of the One Hundred Seventh Legislature of Nebraska, First Session: (1) that we hereby reaffirm our solemn oaths of office by expressing a firm resolution to maintain and defend the Constitution of the United States and the Constitution of Nebraska against every act of aggression whether foreign or domestic, including every act of unconstitutional abuse of power arising from the state or federal government." What's problematic about this first section is that it basically suggests that there is unconstitutional things happening in the state and federal government. It's redundant to need to reaffirm your oath of office. All of us took our oath. We swore or we affirmed that we would uphold the Constitution of Nebraska, and to reaffirm that is redundant and unnecessary. And then it goes on to enumerate what the concerns exactly are: (2) that we are greatly alarmed that a factious and contentious spirit has recently manifested itself in the federal government, emanating from both legislative and executive branches with the desire to enlarge their powers by forced constructions of the Constitution of the United States to expand certain general phrases in order to destroy their meaning and effect. Such phrases include: Congress shall make no law . . . prohibiting the free exercise [of religion], the right of the people to keep and bear

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Arms, shall not be infringed, and "The Times, Places, and Manner of holding Elections for Senators and Representatives shall be prescribed in each state by the Legislature thereof. It reads, "This design appears to have no other end except to consolidate the states by degrees into one sovereignty, the obvious tendency and inevitable consequence of which would be to obliterate completely the rights of sovereignty by the several states." We don't know which states-- the several states. I assume they mean 50 states, but which explicit states is not-- not mentioned. It goes on, "and to destroy the rights and liberties of the people as explicitly granted to them by the Ninth and Tenth Amendments--

WILLIAMS: One minute.

HUNT: --to the Constitution of the United States." Section three, "That we in particular protest the ominous plan revealed by the executive branch to take unilateral action in explicit violation of the Second Amendment to the Constitution of the United States. This sacred right is also protected by our Constitution of Nebraska: "All persons are by nature free and independent, and have certain inherent and inalienable rights; among these are . . . the right to keep and bear arms for security or defense of self, family, home, and others . . ." And I will finish reading this on my next time on the microphone. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Hunt. Senator Lathrop, you're recognized.

LATHROP: Thank you, Mr. President. Colleagues, I find this topic fascinating, and I'm now on my third opportunity to speak, not because I'm-- I'm strongly opposed, but mostly because I think it's fascinating. The one thing-- and I mentioned-- should've mentioned this before-- we can look at how we tax currently all of the things that we've exempted from sales tax, and then criticize our current system because we understand it, we know it. We can see the holes in it, we can see the flaws in it. The reason I've engaged in this is because the only opportunity we have to vet Senator Erdman's ideas is for us to be engaged-- I hope you will-- in thinking through how would you try to get around paying Senator Erdman's tax, the flat tax? I do have a question for you, if you don't mind, Senator Erdman.

WILLIAMS: Senator Erdman, would you yield?

ERDMAN: Anything for you.

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LATHROP: Yeah. No, I appreciate that. And again, I appreciate the fact that you brought this bill. And believe me, I understand what it means to you. But I do have a question for you. What about the sin taxes? So the tax on gambling that-- that we are going to-- estimated to bring in \$80 million or \$90 million, are we going to continue to tax gambling or let that go as well?

ERDMAN: You know, Senator, I have not had an idea or a question like that because gambling is-- was not in the cards when we started doing this. So I haven't had a-- I haven't had a chance to consider that.

LATHROP: That's fair. How about the tax on cigarettes?

ERDMAN: We don't plan on messing with cigarettes or alcohol.

LATHROP: So that's a good-- good point, that that would be the third one. So cigarettes and alcohol, those taxes would remain in place.

ERDMAN: Yeah.

LATHROP: You're nodding yes. OK. Thank you, Senator. So I think that's the process we need to be going through. We need to be asking those questions, because I have to say, I was talking to one of my colleagues, and I said: I think I could start a business, buy brand new cars. I don't have to pay any sales tax on that, drive them from Scottsbluff to Omaha and sell them as used cars. And now I don't have to pay, the people that buy them don't have to pay a tax. I'm just thinking through, because now all these accountants that are doing tax returns are going to be thinking of ways how do we get around this flat tax. But maybe the concerning thing for me is-- and-- and I don't know about you, maybe you're on a better health plan than I am, but our law firm has a health plan with a \$5,000 dollar deductible. Like I'm going to be paying a flat tax on all my healthcare until I've covered my deductible. And then-- even then, I'll have some co-pays. So now we're into the medical care. I-- Senator Groene said: Well, this is all the-- the lobbyists that are working this bill. There aren't any-- hardly any of them around. And I'm shocked. I'm really surprised. I would think the-- that the Bar Association would be out there because now we're into services. And the barbers, and the the chiropractors, and all of the-- all of the services that we're now getting into, when we try to get rid of exemptions-- and Senator Linehan has experienced this and Senator Pahls has talked about it-- as soon as we try to get rid of the exemptions, oh, my God, the Bar Association is here, the barbers, the-- you name it. And that's what we're doing, effectively, with this bill. And you-- it's worthwhile to

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stop and think about that because we don't need to get rid of the Revenue Committee. That'll be the busiest committee in the building.

WILLIAMS: One minute.

LATHROP: They'll be dealing with exemptions from the flat tax bills forever. And-- and then we will once again water down our base and have problems with the revenue. This is a very, very risky proposition. We-- we really don't know what our revenue is going to be, whether it will adequately fund schools or what-- where we-- will we find ourselves where Kansas was when they tried to do something creative, and the Supreme Court had to step in and insist that they fully fund the schools in Kansas? Colleagues, you should be engaged in this. You should be asking the questions because they're-- what we have here is a concept. And I don't believe, as Senator Pahls said, that it's ready for prime time. But I do appreciate Senator Erdman's interest in the topic, his commitment to this-- this type of a reform. And with that, I'll yield the balance of my time.

WILLIAMS: Thank you, Senator Lathrop. Senator Blood, you're recognized. And this is your third opportunity.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, I, of course, stand in support of my amendment, which becomes the bill, because I believe strongly that, if we push forward a legislative resolution-- resolution for people to vote on, it needs to be on one topic. The Attorney General has made that really clear. I think of all the people that worked in the heat of the summer to bring forward a constitutional amendment that pertained to medical marijuana, that the voters really should have had the right to speak on; and they literally got screwed. So I bring forward an amendment that will prevent that from happening to Senator Erdman's bill, that would give him more time to work on his consumption tax over the summer, and bring it back next year. I want to talk about some more unfunded mandates. My list is long. Again, if you've not done so already, I encourage you to call your county, call your municipalities, call your schools. Ask them how much it truly costs your taxpayers when they pay for those unfunded mandates that the state of Nebraska has refused to pay but continue to pass down. Because, you know, we pass the buck. We don't have to be responsible for it. We can just point fingers later. So let's talk about the cost to counties to provide the Department of Health and Human Services, Probation and other state offices, free office space-- free office space. This is an issue that everyone from the state-- Senator-- from State-- Senator State Deb Fischer, who had a lot to say about people being present and not voting, even though

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she had a long history of that while she was a senator-- have tried to tackle with no relief. Beginning in 1983, in exchange for the state taking over many of the Health and Human Services functions previously provided by counties, the counties were required to maintain at no additional cost the Department of Health and Human Services facilities used for the administration of public assistance programs. The net value of the space provided to DHHS in Sarpy County is approximately \$1.3 three million-- again, \$1.3 million. Are you keeping a tally here? Because we're up to several million already on only two things, yearly. Housing DHHS employees in county courthouses also limits the amount of space available for services directly supporting court functions, such as probation officers. In 2014, Hall County, in Senator Aguilar's district, appropriated \$600,000 dollars to purchase an office building just to house all Hall County probation officers. In Lancaster County, Lincoln senators, lease and equipment costs for Probation, adult and juvenile, and DHHS topped \$725,000 in 2018/2019. I wish I had more current numbers, 'cause we know that it's much more now. In all, Sarpy County provides over 18,000 square feet to DHHS and Probation, with a total cost of \$310,902 alone, last time I got numbers, which was 2018. LB605 only increased the costs in square footage counties must provide for probation services. What's more, the County Justice Reinvestment Grant program, created to help counties offset additional costs under LB605, does not allow for increased probation costs. Nobody thought it out, apparently. In 2015, Senator Groene introduced LB427 to require the state to pay for Probation office space and maintenance. The bill did not advance from committee. This is silicle [SIC]. I don't understand how we keep repeating the same mistakes, knowing darn good and well--

WILLIAMS: One minute.

BLOOD: --that these unfunded mandates are really the root cause of why our taxpayers are paying extra property taxes, because we only give local government limited means to provide for these services that we keep shoving down their throats. Why do we look for these grandiose plans when a very simple plan is right in our face? I am puzzled, this is a quandary. There are some days I leave this place and I just don't get it, and today is one of them. I don't get it, folks. We've got an easy solution. We're ignoring the solution. There's been research, there's been hearings, and we look for bigger government, instead, to solve our property tax issues. That's not the Nebraska way. Thank you, Mr. Speaker-- or Mr. President.

WILLIAMS: Thank you, Senator Blood. Senator Hunt, you're recognized, and this is your third opportunity.

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HUNT: Thank you, Mr. President. I rise again in opposition to LR11CA. I echo some of the points that Senator Lathrop made, that were great, about when we-- if we reform our tax system as LR11CA proposes to do. What makes you think that that system is not then going to have all of these carve outs, and all of these exemptions, and all of these things lobbied for over the years, to put us in a position where our tax base is further eroded and we're even more trouble? It's-- it's not a proposal that works for me. But I want to continue reading LR107, which was introduced by Senator Groene and cosigned by 30 of our colleagues here, many of whom did not read the resolution before signing it. Section four continues, "That we further protest against federal government actions which seek to punish traditional religious beliefs about the sanctity of life and sexual mores." I'm going to stop there. It goes on, but I want to talk a little bit about that sentence. When we're talking about the First Amendment, which guarantees the right to exercise your belief, the right to have whatever religion you want, or the right of freedom from religion, the right to not be a believer or to not, you know, ascribe to any faith tradition, what that's traditionally been interpreted to mean is that the government cannot impose any law or any policy that infringes on somebody's right to worship, to believe their faith. But what I question in this sentence is, when we talk about federal government actions which seek to punish traditional religious beliefs, first of all, the LR does not define what traditional religious beliefs are. Whose religion? How traditional? Which tradition? Because we are a country of many different nationalities, many different backgrounds, many different races and faith traditions coming from the Indigenous people and First Nations to the Christian colonizers who came to the United States and imposed their religion on so many people who lived here already, and then built a country and a constitution based on that. And then, of course, we've had influxes of many, many other people from [INAUDIBLE] traditions, including Islam, and Judaism, and everything else that there is. And we also have a growing sector of atheists and nonbelievers, people who select none when they're asked to fill out their religion. So when we talk about traditional religious beliefs and we put this in a resolution that gets passed by the Legislature, that gets put into our official legal and historic record, it means something. It's something consequential. It's not like congratulating a baseball team or-- or sharing your little opinion about something on the mike. This becomes something with legal weight. So when we say traditional religious beliefs, we need to define what that religion is. Do you mean Christianity? Do you mean Presbyterianism? Do you mean Catholicism or Lutheranism? Do you mean Judaism? Also, that it says we protest against federal government

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actions which could punish these beliefs, I'm hesitant about that because there has been a growing trend of right-wing Christians in the United States who feel that they are persecuted, and that they are being punished when laws are passed to say things like you can't discriminate against gay people. Well, then the far right Christians come out and they say: Well, that's-- that's infringing my right to practice my religion. How can I be a good Christian if I can't hate the gay people? That's an infringement on my First Amendment right. And I'm not making that up. That's something that we hear often, and it's something I've heard from many colleagues here when they articulate their opposition to many LGBTQ proposals that I introduce.

WILLIAMS: One minute.

HUNT: They say: Well, that would be an infringement on my religion, and it would be a punishment, an infringement upon other people who feel the same. But that is not actually what it is. And that's not something that any court has ever found. The sentence goes on to talk, you know-- so of course, we have a problem about traditional religious beliefs. What is that? While we can only conclude that it means Christianity, of course, and probably far right Christianity, because it goes on to talk about the sanctity of life and sexual mores. What could they possibly mean by sexual mores? Are we talking about gay people? Are we talking about what shape your genitals are and how they ought to fit together, and we're going to put that in a resolution that we pass in the Legislature, with the weight of the law and the historic record behind it? What about the sanctity of life, talking about traditional religious beliefs? Jews aren't against abortion. In Judaism, abortion is not an immoral thing. So--

WILLIAMS: Time, Senator.

HUNT: --are we-- thank you.

WILLIAMS: Thank you, Senator Hunt. Senator Walz, you're recognized.

WALZ: Thank you, Mr. President. I yield my time to Senator Hunt.

WILLIAMS: Senator Hunt, you're yielded 4:55.

HUNT: Thank you very much, Senator Walz. So when we say that we want to enforce traditional religious beliefs about the sanctity of life, we're talking about Christianity probably. And of course, not all Christians are against abortion. And there are many religions that don't take a position on it or don't condemn it at all, for example, Judaism. So by passing this resolution, are we asserting the supremacy

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of Christian-- of-- of Christianity, of one religion over another? Because we're putting values into this resolution that other religions do not share. If that's the case, I think that this needs to be amended to define exactly what we mean by traditional beliefs, what we mean by religion. Which religion exactly are we talking about here? What do we mean about the sanctity of life? Do we mean supporting food assistance for people who are hungry? Do we mean making sure that people who need medical care can receive it when they need it? Do we mean charging thousands of dollars per injection for diabetes medication? Do we mean offering assistance to the homeless? Do we mean making sure that teens and young adults have access to medically accurate, age appropriate information about sexuality and consent in their bodies and contraception? Because to me, that is what sanctity of life represents. It means standing up for the life that is here. It means that, when we ask women to make the decision to bring life into this world, we don't turn our backs on them by passing policy that continues to hurt them. So I think that this needs an amendment to define what sanctity of life means to the introducers, to Senator Groene and the 30 senators who signed on to it, many of whom who did not read it. And then sexual mores, what does that mean? Does that mean heterosexual marriage, followed by a lifetime of monogamy? I would introduce an amendment to make that explicit. Does it mean never divorce? Does it mean-- 'cause that would be a value in Catholicism? Does it mean never use contraception? Does it mean never do gay stuff? Like what is-- what are the sexual mores that we're exactly trying to enforce here? Unfortunately, the LR is silent on that. And so this is something that courts would be left to decide. And again, as this is a document on the official historical legal record of the state of Nebraska, and it is explicitly asking the Governor and the Attorney General to take action on behalf of the state, that's something that has to be defined. That's something that people have to know what we're talking about. It goes on to say-- OK, "we further protest against federal government actions which seek to punish traditional religious beliefs"-- whose religion, whose tradition?-- "about the sanctity of life"-- which means what?-- "and sexual mores."-- which means what? "These actions are in direct violation of the First Amendment to the Constitution of the United States." So by saying these actions are in direct violation, we're implying that they've already happened, that-- that the government is doing these things now, which we could certainly take issue with. "These actions are in direct violation of the First Amendment to the Constitution of the United States, which states that 'Congress shall make no law . . . prohibiting the free exercise [of religion] . . .'" and of the Constitution of Nebraska, which states that 'All persons have a

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natural and infeasible'-- infeasible? Is that in the Constitution? Is it indefensible or infeasible? Shows what I know-- 'right to worship Almighty God according to the dictates of their own consciences . . . [N]or shall any interference with the rights of conscience be permitted.'" As Senator John Cavanaugh said,--

WILLIAMS: One minute.

HUNT: --in the floor debate, when I was talking about how we needed to re-reference this to Government Committee, which is where drafters recommended that it go in referencing, and that is-- that is where it should have gone, based on the subject matter. And I can talk more about that. But Senator John Cavanaugh made the great point that that is not actually the complete text of the Constitution, and it's kind of picking and choosing little parts of the Constitution that-- that affirm your goal with this LR, just as you picked and chose the committee that you wanted it to go to so that it would be voted out. And I'll wait to-- to continue on my next time on the mike. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Hunt. Senator John Cavanaugh, you're recognized.

J. CAVANAUGH: Thank you, Mr. President. I'm going to yield my time to Senator Hunt. I want to know where this is going.

WILLIAMS: Senator Hunt, you're yielded 4:55.

HUNT: Thank you, Senator Cavanaugh. It continues in Section 5 that we-- and by the way, when we say we, it means not just the members of the Legislature, but everybody in Nebraska, because this resolution is asking the Legislature to speak for the people of Nebraska. And that's the verbiage that's used in the resolution so-- that we-- all almost 2 million of us-- express distress at the prospect of proposed federal legislation designed to usurp the election process that was constitutionally left primarily to the legislatures of several states. Again, we don't define what the several states are. Is 50 several, or are we specifically talking about like Texas, and-- and Arizona, and Pennsylvania, and the states that the attorney generals signed on to that ridiculous challenge for the election results? Which states are we talking about? It's really not clear. And only secondarily to Congress, as Alexander Hamilton argues in Federalist Paper, Numbers 59 through 61, these bills would dictate uniform election rules in all 50 states and eviscerate protections such as voter identification requirements-- which the majority of Nebraskans don't support, by the

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way-- periodic updates of voter files, and restrictions on fraud-prone ballot harvesting. They also seek to steal the right and privilege of redistricting away from state legislatures and, instead, empower unelected commissions with this ability. Therefore, we affirm that this right must remain with elected state officials whose power is granted by the people themselves. Number 6, "That we also protest the stated goal by the executive branch of the federal government to restrict the private use of at least 30 percent of America's lands and waters by 2030." So what we're talking about here is-- is conservation, is wildlife conservation and environmental conservation. "As evidence, we expound Section 1 of Article 1 of the Constitution of Nebraska, 'To secure these rights, and the protection of property, governments are instituted among people, deriving their just powers from the consent of the governed.' In concurrence, the Fifth Amendment to the Constitution of the United States declares: 'No person shall be deprived of life, liberty or property without due process of law' The acquisition, possession, and use of private property for private purposes is inextricable from the right of liberty and the attainment of happiness." So again, connecting property with happiness. "Such an appropriation of property is a gross violation of the fundamental principles of our state and nation." What this paragraph is arguing is that federal protections of land, whether we're talking about a state park or a national park or, you know, a protected wildlife area, maybe a pipeline route, what-- what have you, is fundamentally at odds with the ideas of life, liberty and the pursuit of happiness, because to own property is-- is more of a right than actually conserving our planet. Number 7, "That we strongly affirm the sacred and constitutional right of all persons of the liberty to decide what, if any, vaccination is necessary for their health or the health of their family." So this is basically putting anti-vax stuff in a resolution that is on the legal and historic record of the state of Nebraska, speaking on behalf of almost all-- 2 million, about-- people in the state-- anti-vax stuff. "We explicitly reject the idea of vaccine passports and other federal mandates"-- which don't exist, by the way. There's never been-- this-- this is not what's going to happen-- "that restrict or restrain a person's right to peaceably assemble or restrict their freedom to travel or--

WILLIAMS: One minute.

HUNT: --conduct commerce." 8, "That the Legislature requests cooperation from the Governor of Nebraska, the Nebraska Attorney General, the President of the United States, the President pro tempore of the United States Senate, the Secretary of the United States Senate, the Speaker of the United States House of Representatives, the

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Clerk of the United States House of Representatives, and the presiding officers of each of the legislative houses in the several states"-- which states once again, I don't know-- "in defending the Constitution of the United States, the states, and the people against federal overreach." So this says we request cooperation from all of these groups in defending the Constitution against federal overreach. So what this point of the resolution does is an actual directive to the President, to the Governor, to the Attorney General to take specific action. And that concerns me. I will continue on my next time on the mike.

WILLIAMS: Thank you, Senator Hunt. Senator Day, you're recognized.

DAY: Thank you, Mr. President. I yield my time to Senator Hunt.

WILLIAMS: Senator Hunt, you're yielded 4:55.

HUNT: Thank you, Senator Day. It concludes-- in the final section here, it says, "That the Clerk of the Legislature shall transmit copies of this resolution to the Governor of Nebraska, the Nebraska Attorney General, the President of the United States, the President pro tempore of the Senate, the Secretary of the United States Senate, the Speaker of the United States House of Representatives, the Clerk of the United States House of Representatives, and to the presiding officers of each of the legislative houses in the several states." I wanted to read that into the record, even though it took several times on the mike, because if this doesn't come out of the Executive Committee-- where this doesn't belong, by the way-- I want to extend the conversation that many Nebraskans are starting to have about this resolution being introduced. I've introduced a resolution in response to this. It's LR118 that I introduced earlier today. And what that resolution does is it takes the same exact verbiage of LR107. It takes the same voice, it takes the same-- some of the same phrases and, you know, wording. And instead, I used the resolution to condemn the insurrection at the U.S. Capitol on January 6. That is something that the Nebraska Legislature has not yet done. Of course, the insurrection, the-- the horrible riot at the Capitol on January 6, when that happened, we were in the Committee on Committees meeting, where we were putting all these committees together. And somebody in the meetings looked at their phone and they said: Oh, my gosh, is anybody looking at what's happening in Washington? And of course, this was very early in the session. And so it was a really shocking thing to have happen, and it made us really nervous about what was going to happen in Washington but, also, what could happen here, what could happen here in Nebraska, where we have such a special system of

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government with our nonpartisan Unicameral. And to put something so basely political, like LR107, so basely, blatantly partisan, it reads like it was written by an artificial intelligence robot, collecting words from Newsmax and Breitbart. That's how it reads when I read it. And when I read it out loud and people hear it online, you know what I'm talking about. So for our Legislature to respond to the political mood, which is fractious, which is contentious, which is uneasy with the transfer of power we just had at the federal level, we haven't said anything about that January 6 attack that resulted in the death of a law enforcement officer when somebody hit him with a fire extinguisher, plus many, many more injuries that law enforcement officers endured, where people were vandalizing inside the Capitol, where they were making threats, where they were stealing things from members' of Congress offices, where they threatened Vice President Mike Pence, Nancy Pelosi-- Speaker Pelosi-- Representative Ocasio-Cortez, many, many other members of Congress. And the Nebraska Legislature hasn't bothered to file a little resolution about that. But we did file a resolution which was signed by 30 of you, many of whom didn't read it, basically condemning the Biden administration for punishing traditional religious beliefs, stopping states from doing voter ID-- which-- which--

WILLIAMS: One minute.

HUNT: --they weren't, from-- from preventing people from refusing vaccinations-- which there isn't even a movement in the state to mandate vaccinations. That is something that would never fly in this state, yet it's something that you are so afraid of that you had to pass a resolution to talk about it. On my next time on the mike, I want to read-- or talk about this wonderful op-ed that was published today in the Omaha World Herald. It was written by Rachel Gibson and Sheri St. Clair. You may recognize some of their names. Sheri St. Clair is a frequent testifier in the Government Committee where I sit, and she-- they're both members of the League of Women Voters, who do a really wonderful job standing up for voters in Nebraska, and also standing up for our nonpartisan Unicameral. They're very engaged, smart women. They wrote a wonderful Midlands Voices op-ed that I hope you take a look at, and I'll talk about that on the next time on the mike. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Hunt. Seeing no one in the queue, Senator Blood, you're recognized to close on your amendment.

BLOOD: Thank you, Mr. President. Fellow senators, friends all, I am serious about this amendment. I'm not just trying to kill time. I'm

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not trying to filibuster this bill. I am trying to bring forward reasonable legislation that makes sense, based on the facts that we have been given as a body years ago. Had a public hearing. It's a one-subject topic, but more importantly, it's going to be the start of truly lowering property tax here in Nebraska. Not this [INAUDIBLE] property tax relief that we keep pumping money into this property tax relief fund while we ignore the true reasons that property taxes are high. And granted, I voted to put a lot of that money into there. I take-- I take credit for the things that I've done. But had somebody brought this forward, I would've been all over it. And I didn't see anybody calling their counties or e-mailing their counties or their municipalities or their schools. But I bet if they had during this discussion, they would have told you that we are drowning in unfunded mandates. And this was not something that the state used to do. The state, when we had the recession, decided the only way to get out of it was to move the burden to somebody else. And they moved that burden to local government. They moved the burden to local government. And then, who ultimately pays? The taxpayers, because property tax is basically the only true tool that local government has to pay their bills. So we created this crisis. And what we do instead is we bring forward sexy legislation like pumping millions of dollars into the Property Tax Relief Fund, never truly curing the property tax issues. That doesn't make sense to me, and perhaps that's only me, and maybe my mind works differently than yours, but I couldn't be any more genuine than I am right at this very moment. We can have true property tax relief if we go back and act responsibly, as the state should have done after we pulled out of the recession, and started being responsible for these ongoing mandates we continue to push off on local governments. Within years, so many of the concerns that we are hearing on property tax would go away. But my amendment doesn't create a bigger government. Maybe you do want bigger government, 'cause that is what Senator Erdman's bill does, is it creates bigger government. And I guess that that's OK. I'm just always surprised because I guess it depends on the day on whether you're for or against government overreach or for or against bigger or smaller government. I-- I don't know; I'm confused. But I'm not confused about what I'm bringing forward. Simple solution, it's had a hearing, single subject, and it's going to have an immediate response once the voters bring it forward and vote it in. And I guarantee-- unless, of course, certain millionaires who will remain nameless get involved-- if this is presented to the public, they're going to vote for it because it's an easy concept for them to grasp. And they're going to see that we're not kicking a can down the road, as we've done in the past. And

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they're going to see that we're presenting them with a solution that's easy to understand, which we've not done in the past.

WILLIAMS: One minute.

BLOOD: And they're going to see that we hear them when they tell us that their property taxes are too high, and they want us to fix it. So with that, I don't have a lot of hope in this body today when it comes to this amendment. But if you feel like you want to get lucky and maybe gamble a little-- 'cause you know, it's legal in Nebraska now-- I encourage you to vote green on my amendment, which then will become the underlying bill. Thank you, Mr. President.

WILLIAMS: Thank you, Senator. Blood. Members, the question is the adoption of Senator Blood's amendment, AM1259, to LR11CA. All those in favor vote aye; those opposed vote nay. There has been a request to place a house under call. The question is, shall the house go under call? All those in favor vote aye; those opposed vote nay. Record, Mr. Clerk.

ASSISTANT CLERK: 21 ayes, 9 nays to go under call.

WILLIAMS: The house is under call. Senators, please record your presence. Those unexcused senators outside the Chamber, please return to the Chamber and record your presence. All unauthorized personnel, please leave the floor. The house is under call. Unauthorized senators, please return to the floor. Senator Kolterman and Senator Wayne, please report to the floor. The house is under call. All unexcused senators are now accounted for. Senator Blood, how would you like to proceed? A roll call vote in reverse order has been called. Again members, the amendment to LR11CA is what we are voting on. Mr. Clerk, please call the roll.

ASSISTANT CLERK: Senator Wishart not voting. Senator Williams voting no. Senator Wayne not voting. Senator Walz not voting. Senator Vargas not voting. Senator Stinner voting no. Senator Slama voting no. Senator Sanders. Senator Pansing Brooks not voting. Senator Pahls not voting. Senator Murman voting no. Senator Moser voting no. Senator Morfeld. Senator McKinney not voting. Senator McDonnell voting no. Senator McCollister not voting. Senator Lowe voting no. Senator Linehan voting no. Senator Lindstrom voting no. Senator Lathrop not voting. Senator Kolterman voting no. Senator Hunt not voting. Senator Hughes voting no. Senator Hilkemann voting no. Senator Hilgers voting no. Senator Matt Hansen not voting. Senator Ben Hansen voting no. Senator Halloran voting no. Senator Groene voting no. Senator Gragert

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voting no. Senator Geist voting no. Senator Friesen voting no. Senator Flood voting no. Senator Erdman voting no. Senator Dorn voting no. Senator DeBoer not voting. Senator Day voting yes. Senator Clements voting no. Senator Machaela Cavanaugh voting yes. Senator John Cavanaugh voting yes. Senator Briese voting no. Senator Brewer voting no. Senator Brandt voting no. Senator Bostelman voting no. Senator Bostar not voting. Senator Blood voting yes. Senator Arch voting no. Senator Albrecht voting no. Senator Aguilar voting no. Vote is 4 ayes, 30 nays, Mr. President.

WILLIAMS: The amendment is not adopted. Returning to debate. Seeing no one in the queue, Senator Erdman, you're recognized to close on LR11CA.

ERDMAN: Thank you, Mr. President, and good afternoon again. I appreciated the opportunity we had today to answer questions and to talk about a big idea. We had a chance to talk about the real solution. We in Nebraska have been dealing and working under a broken tax system for 54 or more years. We've had several people say they're interested in a solution, but not this one. I understand. I understand it's a big, big step. It was also a big step in 1966 when the voters said no more property tax for the state and they voted to eliminate property tax in '67. When they met, they had no source of funding except for what was just passed on the ballot, sales tax and income tax. What was ironic about that vote in '66 is sales tax and income tax was put in place to do guess what? Lower property tax. Didn't work. So we've tried, as I've said several times, putting a Band-Aid on amputation. It doesn't work. We've proven that. The Revenue Committee has testified to the fact that they've never seen more people come in and be more upset about taxes than when they came in to testify in LR11CA. Let me be clear. This is not just a property tax relief bill. This is an income tax relief bill as well. This relieves taxes of all kinds that are regressive that this state is burdened with. So I would encourage you to vote green on this, move it to Select, have an opportunity tomorrow evening to go over to the Hruska Law Firm and visit with Art Laffer and ask those questions that I could not answer and have him answer them for you. When you finish visiting with Art Laffer, you will understand that there are people far smarter that know more about taxes than I'll ever know. They've forgotten more than I will know that think this is the answer. And Art Laffer happens to be one, Ernie Goss happens to be another. So don't take it from me, take it from the experts. This is the answer. So as I traveled about this last three or four months doing presentations on the consumption tax, I was at one location where 35 people showed up or had signed up, but 70 people showed up. People are interested in

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LR11CA. They're interested in the consumption tax and the enthusiasm is growing. So if you think what we're doing here today is going to end this, I think you're wrong because the voters are now taking things into their own hands and they're going to say, look, if the Legislature is not willing to do something for us and obviously they're not, if they don't move this forward, then we will do something. And I think Senator Briese has said it a couple of times, if we don't do something here, the voter is going to give us something we may not want. So I'm not making any threats to you. I'm just sharing with you what the interest is in the general public about the taxes we currently pay. So I encourage you to vote green on this. And if it doesn't advance to Select, Art Laffer will still be at the Hruska Law Firm tomorrow evening from 6:00 to 9:00. And I hope we're out by then to answer your questions. But this is an issue that we need to deal with in property tax. So we will know by your vote whether you really are for property tax relief or not. We'll see how it goes in the vote.

WILLIAMS: One minute.

ERDMAN: So I would like to have a roll call vote in regular order. Thank you.

WILLIAMS: Thank you, Senator Erdman.

ERDMAN: Call of the house, too.

WILLIAMS: We're all-- the house is already under call, Senator Erdman. There's been a request for a roll call vote in regular order. Members, the question is the advancement of LR11CA to E&R Initial. Mr. Clerk, call the roll.

ASSISTANT CLERK: Senator Aguilar voting no. Senator Albrecht voting yes. Senator Arch not voting. Senator Blood voting no. Senator Bostar voting no. Senator Bostelman voting yes. Senator Brandt not voting. Senator Brewer voting yes. Senator Briese voting yes. Senator John Cavanaugh not voting. Senator Machaela Cavanaugh not voting. Senator Clements voting yes. Senator Day voting no. Senator DeBoer voting no. Senator Dorn not voting. Senator Erdman voting yes. Senator Flood voting no. Senator Friesen voting yes. Senator Geist voting yes. Senator Gragert voting yes. Senator Groene voting yes. Senator Halloran voting yes. Senator Ben Hansen voting yes. Senator Matt Hansen voting no. Senator Hilgers voting yes. Senator Hilkemann voting yes. Senator Hughes voting yes. Senator Hunt voting no. Senator Kolterman voting no. Senator Lathrop voting no. Senator Lindstrom

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voting yes. Senator Linehan voting yes. Senator Lowe voting yes. Senator McCollister voting no. Senator McDonnell voting yes. Senator McKinney voting no. Senator Morfeld. Senator Moser voting no. Senator Murman voting yes. Senator Pahls voting yes. Senator Pansing Brooks voting no. Senator Sanders. Senator Slama voting yes. Senator Stinner voting no. Senator Vargas voting no. Senator Walz voting no. Senator Wayne voting yes. Senator Williams voting no. Senator Wishart voting no. 23 ayes, 19 nays, Mr. President, on the vote to advance.

WILLIAMS: LR11CA does not advance. Mr. Clerk for items. I raise the call.

ASSISTANT CLERK: Thank you, Mr. President. New resolutions, LR119 by Senator Clements, extend sympathy to the family of Perry Gauthier. Your Committee on Enrollment and Review reports LB407, LB90, LB166, LB166A, LB317, LB317A, LB256, LB479, LB628, and LB566 all to Select File, some with E&R amendments. And that's all I have at this time.

WILLIAMS: Thank you, Mr. Clerk. Returning to the agenda.

ASSISTANT CLERK: Mr. President, next bill, LB131, introduced by Senator Hunt. It's a bill for an act relating to cities and villages; to change provisions relating to the enactment of ordinances as prescribed; and repeal the original sections. Bill was introduced on January 7. It was referred to the Urban Affairs Committee. That committee placed the bill on General File with committee amendments attached. Those amendments were pending when the body considered the bill yesterday. In addition, there was an amendment to the committee amendments from Senator Friesen, which is also pending.

WILLIAMS: Thank you, Mr. Clerk. Senator Friesen, would you like to refresh us on AM1112?

FRIESEN: Thank you, Mr. President. I will. So what my amendment does is basically it pulls out the natural gas portion of the bill in dealing with those municipalities that had sudden higher costs that weren't covered and they made a decision on their natural gas bills. They decided to run their own system and now they got caught. And so they want to be bailed out. And I think there's a lot of other communities out there that did not run their own system that are going to have to pay this cost. And it's something that I don't think the state should be doing. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Friesen. Senator Hunt, this is your bill. Would you like to give us a short refresher?

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HUNT: Sure, Mr. President. Thank you for recognizing me. I'll return to the conversation I was starting around LR107 at some point, depending on how the conversation around this package goes. But this is something I'll continue to discuss and, and I'll get to it at some point if not now. LB131 is a technical bill that I introduced in the Urban Affairs Committee. It corrects a technical problem that says that-- let's see-- that municipal ordinance statutes that say that cities of the primary class, cities and villages can suspend the three-day reading requirement for everything except annexation or redistricting. The problem with that was that there are other places in statute where they talk about waiving the three-day reading requirement. And so we just needed to introduce a bill to make that all harmonized, all the same. If we don't pass LB131, there are some cities and villages that could be out of compliance with the law just because we have put them out of compliance by changing our statute without fully updating it. So all LB131 does is it adds a catch-all provision to say that the three-day reading requirement cannot be suspended "or as otherwise provided by law." So that "or as otherwise provided by law" language means that these cities and villages would no longer be out of compliance. And this is our committee priority. It's a package containing many other bills. And I look forward to the debate. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Hunt. Senator Friesen, you're recognized.

FRIESEN: Thank you, Mr. President. So I, I did a little asking around over the-- this morning. And it turns out, I, I believe, that there's, there's some communities out there, and I'm not going to say that they're all this way. But back in the day, they actually took over a privately operated gas system. And so they actually went through condemnation proceedings and, and took over a privately owned gas distribution network. And the promise was they were going to be able to charge less for gas and they were going to-- it was a good deal for their, their community. And so now as time has progressed, I mean, obviously, there's not a lot of municipalities out there with the expertise to operate their own gas system. And I, I do believe since you're having such a small market, you don't have the negotiating power with gas companies that sell gas, pipeline companies that deliver it. And therefore, that lack of maybe knowledge and, and this extreme weather event that maybe nobody could foresee, they got caught in a situation where we had an extreme weather event. And if they had been saving and setting aside reserves like maybe they should have, I'm not sure, I've not, I've not talked to those communities so I don't want to paint too broad a brush strokes here and say that they all did this. But again, when you're operating your own system, you

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better make sure the contracts are, are good. You better have lawyers look them over and you better be ready for events like this. We have been nationally talking about extreme weather events for the past ten years. We've-- global climate change has been the topic in the newspaper for the last ten years. And so it always talked about the extreme weather changes that we're going to have. And so to me, that was the sign that if you truly believed in that science, you needed to be starting to take extra precautions, make sure your contracts were going to take into account that there may be an extreme weather event and those could have been written in the contracts because I believe some areas did a pretty good job of doing that. So, again, if you took over your gas system from private industry and decided to make it public and now you got caught, I'd like to hear, I guess, whether or not that's the case with some of these companies or the towns. Did you take over that gas system back in the day? And I remember hearing about it. And so when I did a little research further, some of these communities did, I believe, condemn their system and take it over on the promise of better revenues for the community and they're using as a revenue source. And if that's the case, I especially don't feel as though this is a place for the state to be bailing out some communities unless they're at least willing to look at the, the things they've included in here. Let's talk about just trying to get them sort of made whole again. But in order-- if we're going to replenish their, their gas reserves, if we're going to pay overtime pay from January 1, those types of costs, I think they need to be cautious about what they're asking for. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Friesen. Senator Wayne, you're recognized.

WAYNE: Colleagues, I, I will keep this short. I would ask you to vote red on this. I actually have an amendment. Yesterday-- after yesterday, after we had our floor conversation, we went back and talked to all the cities and actually many of the cities got a lot of-- some of their fees waived, but not everybody. And so we have an amendment that reduces this to \$5 million because we were able to capture most of the small municipalities and it came up to \$4.6 million, little over \$4.6 million. So what's interesting is-- and I just, I just want to be clear about what we're talking about, we're talking about helping people in municipalities that did everything right. And so I actually misspoke yesterday and thought many of them just did that the 15 to 20 percent. Actually, most of them, because natural gas was so low, was-- were actually stockpiling it in, in a contract form with the bigger private natural gas systems. And most of the people affected by this had up to 40 percent of their annual

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natural gas production in a contract on, on reserve. They burned through all that. So they did everything right. And here is why I'm frustrated, because this is an urban senator fighting for rural communities and, and the rural communities are saying no. And where I'm frustrated is we had no problem spending \$3.5 million on an irrigation-- for an irrigation district for a canal that collapsed in a different state that you voted for Senator Friesen. So it wasn't even-- only reason we benefited because the water was coming here, but the actual occurrence happened in Wyoming and we spent \$3.5 million. That could be a weather event, that could be a structural event that that irrigation district could have paid for by increasing their local taxes to pay for that. But we stepped in and covered that. So this is not going to be something that I'm going to die on the sword for. If you don't want to help your communities, I, I can't make you. I can't make you. But this is \$5 million on a later amendment that offsets these communities that did everything right. They listened to the experts. They were supposed to stack 15 to 20 percent, but they actually put in reserves, some of them over 40 percent, most of them around 40 percent. And they still burned through it. Hastings has a cost of about \$1.7 million. They did everything right. If you choose not to help them, that is this body's choice. But I'm going to print off this transcript and for the next four years that I'm here, every time we try to help a local community, I'm going to read word for word and I'm going to show the vote card of who refused to help in this case. There are many times we have helped communities who did everything wrong. This is a community that did everything right. Pender did everything right. Lyons did everything right. Central City did everything right. Alma everything right. Scribner everything right. Stromsburg everything right. Stuart everything right. Wahoo everything right. Superior everything right. And we have an opportunity to help out the locals. So when we talk about creative districts, when we talk about all these extra things that we're going to start putting into cities and municipalities to help them out, how does that weigh more than these communities that did everything right? And there was a freak event that occurred and this is a one-time thing to make sure those taxpayers aren't hit again. This isn't about private market versus public. If that's the case, then what are we actually doing? We have extra money right now on the floor, \$5 million to help out the rural parts of our state. If the rural senators choose not to, that's your choice.

WILLIAMS: One minute.

WAYNE: We have an, we have an amendment to lower it from ten to five because after the long debate at 6:00 last night, we sat out and

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contacted all the city administrators. And thank God we had a long tax debate this morning that everybody can get back to us and we have a real number and it's cut in half. We are doing our due diligence to make sure our rural communities are being served by this Legislature. I would ask for a red vote on AM1112 and a green vote on AM751. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Wayne. Speaker Hilgers, you're recognized.

HILGERS: Thank you, Mr. President. Good afternoon, colleagues. Interrupt this debate just to give you a little bit of a scheduling heads up for the rest of the day. So today, what I think what we will do is we will work through dinner and end around 8:00 depending on how the, the remainder of the, the bills go. But we won't take a break, but we'll get done a little earlier. Again, as I mentioned yesterday, tomorrow, though, please, please be prepared to go later into the evening and, and, again, depending on progress. But at least tomorrow, I think we'll do somewhat similar to what we did last week and go till around 10:00, plus or minus, again, depending on progress. So tonight at least, no dinner break, no-- we won't, we won't stop. We'll just go. But we will adjourn relatively early comparatively and end around 8:00 or so. Thank you, Mr. President.

WILLIAMS: Thank you, Speaker Hilgers. Senator Groene, you're recognized.

GROENE: Thank you, Mr. President. Appreciate Senator Wayne looking after and caring about rural Nebraska. He does, it's not sarcasm, for the community that had trouble. But I'd like to make the point because of the debate of Senator Friesen, myself, and others, you thought hard about your legislation. You talked to a lot of communities. You just said it on the, on the mike and found that some of the damage has already been mitigated. That's what the debate on this floor is all about, why we don't just rubber stamp stuff. We debate. Those communities were listening. They contacted you and now we have a \$5 million bill. That's the way the system should work and did work. I would like one thing when you bring that amendment, one more little thing, there's no reason overtime pay for utility workers should be included. Every utility had that cost. Every utility had that cost. So it was not specific to these who messed up when they didn't long-term contract their natural gas needs and to make sure the supply was there. So that should come out of there also. I don't know why the Governor and, you know, I think, you know, thinking about it, why the President, who was ever President at the time, I'm trying to remember

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the time frame, if it was Biden or Trump, why a natural disaster wasn't declared. They did it with the flooding. They do it with hurricanes. They do it with tornadoes. It was a natural disaster. And why federal money didn't pour into the states to fix some of these problems. But I don't even know if Texas applied for a natural disaster. But the system is working. I'm not so sure I'll vote for this amendment yet, but I've got to see the amendment and what it entails. Is it just the-- is the amendment just going to be-- well, I guess, Senator Wayne, would you answer a question?

WILLIAMS: Senator Wayne, would you yield?

GROENE: Senator Wayne. Anyway, when you get to the mike, what I'm going to ask you is your amendment just addressing the A bill, the ten to five, or are you tweaking the language also to close up the definition of who applies, like, as I said, to take out the overtime pay for utility workers? What does your amendment entail? Just--

WAYNE: My, my amendment just reduces it to four-- from ten to five. I did not include the amendment to reduce overtime. We didn't get clarity on how much there was overtime versus--

GROENE: All right, thank you.

WAYNE: --after.

GROENE: Thank you. As I said, every utility had overtime. I'm sure they did. I know NPPD did at our Sutherland plant to keep things running and rolling and to make sure everybody was warm and had their lights on. And what is it, 14 or 15 states because of our coal burning plant there came to the rescue. But the other thing I don't understand is, this is we're talking about electrical generators. I don't think we're talking about the heat where people heat their houses. Senator Wayne, are we talking about utilities that might have heated houses, too, for, for furnaces and stoves and hot water heaters, too, or is it just those communities who had their own power plants and fueled them with natural gas?

WILLIAMS: One minute.

WAYNE: It's only the public utilities that-- the public natural gas utilities, they would be the ones municipally owned so the city would get the dollars or the municipality would get.

GROENE: And that's for heat--

WAYNE: Yes.

GROENE: --in homes also, right?

WAYNE: If they use natural gas.

GROENE: All right. Thank you. I'm still a little concerned about bailing somebody out for-- that's local control. You either have local control or you don't. So I'm still-- I still support AM1112 from Senator Friesen and then the bill after that. Thank you.

WILLIAMS: Thank you, Senator Groene and Senator Wayne. Senator Wishart, you're recognized.

WISHART: Thank you, Mr. President. I rise in support of LB131 and AM751 and also appreciate Senator Wayne working to get that fiscal note down since we are coming towards the end of session and we'll need to stay within that budget. One of the reasons why I support this legislation is it harkens back to some work that we did several years ago on legislation, I believe, that was brought by Senator Erdman, which helped people who had been through those significant floods and their homes had been devastated. It helped waive their property tax bill. And I see this legislation as very similar. It is addressing a, a situation that this community could not prepare for. And I think it behooves us as a, a legislative body in this instance to support these communities. Thank you.

WILLIAMS: Thank you, Senator Wishart. Senator McCollister, you're recognized.

MCCOLLISTER: Thank you, Mr. President. Good afternoon, colleagues. I think we should distinguish between a natural disaster like the tunnel collapsing between Nebraska and Wyoming versus a weather event that occurs almost every year. Yes, it does get cold in Nebraska. It gets hot as well. So you have to predict those kinds of things. And we can't bail out a, a company because they made a bad business decision. Yes, you can get firm gas supplies and you can also play the market. And those people that played the market in this particular instance lost. So I, I think there's a big difference between some of the natural disasters versus the, the crazy weather sometimes occurring in Nebraska. Now if I'm wrong on that, I would appreciate the communities getting a hold of me. But I think they had the choice to choose firm gas supply or play the market, so to speak. So with that, thank you, Mr. President.

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WILLIAMS: Thank you, Senator McCollister. Seeing no one in the queue, Senator Friesen, you're recognized to close on AM1112. Senator Friesen waives closing. Members, the question is the adoption of AM1112. All those in favor vote aye; those opposed vote nay. There's been a request to place the house under call. The question is shall the house go under call? All those in favor vote aye; those opposed vote nay. Record, Mr. Clerk.

ASSISTANT CLERK: 21 ayes, 1 nay to go under call, Mr. President.

WILLIAMS: The House is under call. Senators, please record your presence. Those unexcused senators outside the Chamber, please return to the Chamber and record your presence. All unauthorized personnel, please leave the floor. The house is under call. Senator Wayne, please check in. Senator Morfeld, please check in. Senator Matt Hansen, Senator Bostar, Senator Geist, please return to the Chamber. The house is under call. All unexcused senators are accounted for. There's been a request for a roll call vote in regular order. Again, members, the question is the adoption of AM1112. Excuse me, call in reverse order. Mr. Clerk, call the roll.

ASSISTANT CLERK: Senator Wishart voting no. Senator Williams voting no. Senator Wayne voting no. Senator Walz voting no. Senator Vargas voting no. Senator Stinner voting no. Senator Slama voting no. Senator Sanders. Senator Pansing Brooks voting no. Senator Pahls voting no. Senator Murman voting no. Senator Moser voting yes. Senator Morfeld voting no. Senator McKinney voting no. Senator McDonnell voting no. Senator McCollister not voting. Senator Lowe not voting. Senator Linehan voting no. Senator Lindstrom. Senator Lathrop. Senator Kolterman voting no. Senator Hunt voting no. Senator Hughes voting yes. Senator Hilkemann voting no. Senator Hilgers not voting. Senator Matt Hansen voting no. Senator Ben Hansen voting no. Senator Halloran voting yes. Senator Groene voting yes. Senator Gragert voting no. Senator Geist not voting. Senator Friesen voting no-- Senator Friesen, I'm sorry, voting yes. Senator Flood voting no. Senator Erdman not voting. Senator Dorn voting no. Senator DeBoer voting no. Senator Day voting no. Senator Clements voting yes. Senator Machaela Cavanaugh voting no. Senator John Cavanaugh voting no. Senator Brieese not voting. Senator Brewer voting yes. Senator Brandt voting yes. Senator Bostelman not voting. Senator Bostar not voting. Senator Blood voting no. Senator Arch not voting. Senator Albrecht voting no. Senator Aguilar voting no. Vote is 8 ayes, 29 nays, Mr. President, on the adoption of the amendment.

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WILLIAMS: The amendment is not adopted. Raise the call. Returning to debate. Senator Hunt, you're recognized.

HUNT: Thank you, Mr. President. I wanted to return to the conversation around LR107. I'm in support of AM751, which is our Urban Affairs Committee package, and I am in support of my bill, LB131. Today, there was a wonderful op-ed published in the Omaha World-Herald by Rachel M. Gibson and Sheri St. Clair. And my last few times on the mike I read through LR107, which is set for a committee hearing tomorrow in the Executive Board, Executive Committee at noon. And I went through some of my concerns with the language. I talked about why it was poorly written. I've spoken in the past about why it was "misreferenced" by the Executive Committee away from Government Committee because they were committee shopping and didn't want it to go to Government where they didn't think it would be successful. Because I spoke about this on the mike and more people are reading the resolution and talking about what it means for Nebraska if something like this passes. Rachel M. Gibson and Sheri St. Clair from the League of Women Voters wrote this op-ed in the World-Herald. They write: For over 100 years, the League of Women Voters has relentlessly advocated for voting rights and policies that protect democracy. It is from this experience that we are deeply disturbed by the April 23 introduction of LR107 by State Senator Mike Groene for both its content and how it was brought to the floor of the Legislature. LR107 begins by accusing the federal government of a coordinated plot to usurp all states' rights. And this is referenced on page 1 of the resolution, Section 3 where they say: we in particular protest the ominous plan revealed by the executive branch. And there's language like that that's very frivolous and inflammatory throughout the resolution. It haphazardly pulls incomplete phrases from the U.S. Constitution, reflecting the point that Senator John Cavanaugh made when we were debating my motion to recommit to-- or to re-refer to Government Committee. It haphazardly pulls incomplete phrases to support a handful of highly politicized issues, including guns, abortion, religion, sexuality, voting access, land use, and vaccination. We find Section 5 regarding the election process particularly concerning leaning into the false narrative that the recent election was fraudulent, despite countless fact-based reports otherwise. LR107 authors assert the state's power to suppress voter access through ID requirements, record purging, and restrictions and voter supports. We live in challenging times facing a pandemic, an uneasy transition of power, an individual verses collective rights debate, and a reawakening to system-- to systemic racial discrimination and violence. We encounter divisive language everywhere: the media, workplaces, even friends and neighbors. Whether

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by intention or negligence, it is inappropriate and unacceptable for our state leaders to fan the flames by not speaking against LR107. In addition to its disquieting content, how LR107 arrived on the floor of our Unicameral Legislature is atypical. Proposed legislation goes through a well-established process which relies heavily on committees allowing a subset of senators with, quote, subject matter jurisdiction, unquote, to act as policy gatekeepers. Nebraska citizens, as members of the second house may provide commentary on proposals. With LR107, the manipulation of this process causes our concern to turn to alarm. Instead of being referred to the Government Committee, the appropriate committee considering its content, the Drafters referred LR107 to the Executive Committee, which manages the work of the Legislature.

WILLIAMS: One minute.

HUNT: Why? I will correct them here and say that the Drafters originally referred LR107 where it belonged to the Government, Military and Veterans Affairs Committee. But the Executive Committee, which does Referencing, has the final word on where bills end up going. And in Referencing, this is often a fight, you know, should something go to Judiciary or Government, should it go to Health and Human Services or Judiciary? You know, whatever it is, this is often a fight in Referencing. And that's what happened with LR107. So the Referencing originally got it right to go to Government. But the members of this body on the Executive Committee made the executive decision to keep it in their committee where it doesn't belong. When I made my motion to re-refer LR107 to Government Committee last week, nobody on the Government Committee-- or pardon me, nobody on the Executive Committee who supported it stood up in defense of their decision. So what are we to conclude other than they know what they did. They're not sorry. They're going to get away with it and--

WILLIAMS: Time, Senator.

HUNT: Thank you.

WILLIAMS: Thank you, Senator Hunt. Mr. Clerk for amendment.

ASSISTANT CLERK: Mr. President, the next amendment to the committee amendment is from Senator Flood, but I have a note he wishes to withdraw that one.

FLOOD: Yes, Mr. President.

WILLIAMS: Withdrawn.

ASSISTANT CLERK: Senator Wayne would then offer AM1258.

WILLIAMS: Senator Wayne, you're recognized to open on AM1258.

WAYNE: I'll be short. Thank you, Mr. President. This is a-- just a technical correction. We are striking the \$10 million from here and we are going to correct it in the A bill and we're going to make it \$5 million. So this strikes the \$10 million. To do it proper, we're going to put it in the A bill and it would be only \$5 million in the A bill. So it's kind of-- they're both going to work hand in hand. So it's just a technical. I shouldn't have put it in here where I drafted it. It should be in the A bill. And this corrects where we're going to transfer only \$5 million. So we're dropping it from \$10 million to \$5 million. Thank you, Mr. President.

WILLIAMS: Thank you.

WAYNE: I'd ask for a green vote.

WILLIAMS: Thank you, Senator Wayne. Seeing no one in the queue, Senator Wayne, you're recognized to close. Senator Wayne waives closing. Members, the question is the adoption of AM1258. All those in favor vote aye; those opposed vote nay. Have all voted? Record, Mr. Clerk.

ASSISTANT CLERK: 40 ayes, 0 nays on the adoption of Senator Wayne's amendment.

WILLIAMS: The amendment is adopted. Moving back to debate on the committee amendments. Senator Hunt, you're recognized.

HUNT: Thank you, Mr. President. Continuing with this, this op-ed written by Rachel M. Gibson and Sheri St. Clair in Midland's Voices in the Omaha World-Herald today. They say: To pose that question, the question meaning why LR107 was referred by the Executive Committee to the Executive Committee instead of to Government Committee where it belongs. To pose that question and resolve the misassignment, State Senator Megan Hunt introduced a motion on April 29 to refer LR107 to the appropriate committee. She reported that one of LR107's lead writers, State Senator Steve Halloran, explicitly stated a political decision was made to send the resolution to the Executive Committee because he feared the Government Committee would not move it forward due to previous, quote, split votes on bills, unquote, which we interpret as bills related to voter suppression and campaign financing. In response, State Senator John McCollister, who serves on both the Executive Board and Government Committee, stated publicly

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that LR107 was incorrectly assigned. Sadly, the motion to re-refer failed and LR107 waits to be moved forward in the lawmaking process. It appears Unicameral leadership has circumvented the checks and balances of legislative procedure. Of the many legislative resolutions this session, some call for interim studies, some congratulate individuals, organizations, and teams. One even lightheartedly recognizes the, quote, one true Josh, unquote. LR107 is the only resolution that includes, that includes the phrase, quote, requests cooperation, unquote. Those are words of action, not a position statement, but a request for action, followed by a false, incendiary and partisan statements. While only a resolution, it is a government document which formally, legally speaks on behalf of the people of Nebraska. We at the League of Women Voters of Nebraska know this is a mischaracterization of the majority of our friends and neighbors. There has been much talk from the legislative floor of the need to trust and have good faith in one another. Frankly, that is an impossible ask when resolutions like LR107 advance through manipulation or with the support of 30 senators who either are not paying attention or more concerning, are failing to represent and serve Nebraskans as they promised in their solemn oath of office. As advocates of empowering voters and defending democracy, we call on every senator to read the resolution entirely, speak publicly against its dangerous and radical language, and most importantly, vote against LR107. So that's a op-ed that was published in the World-Herald today in response to a conversation we had last week about the "misreferencing" of LR107, which is a blatantly, patently partisan political resolution that was signed honestly by a bipartisan group of 31 senators. So my concerns about LR107 being "misreferenced," containing language that doesn't reflect the views of the majority of Nebraskans, and also doesn't reflect the spirit of the nonpartisan Legislature that each one of us should be fiercely defending and fiercely proud of. And when you sign on to something like LR107, what you're doing is you're throwing that away. You're saying that the building blocks and the foundation that the lawmakers that came before us put here to ensure that we could work together, to make sure that we're not caucusing by party, to make sure that one political party doesn't have the majority control, we don't have majority and minority leaders in this body. And I think all of us can agree no matter where we fall in the spectrum. You know, I, I may be one of the most far left in the body. Senator Lowe, for example, may be one of the more far right. But Senator Lowe and I--

WILLIAMS: One minute.

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HUNT: --work together all the time in our committees and on different bills. We worked together on several things in General Affairs Committee last year. And I could say the same thing for almost every single one of you that we have worked together on something and only in the nonpartisan Unicameral is that possible. But when you introduce resolutions like LR107, as the op-ed said, whether it's through malice or through negligence, whether you meant to be hurtful with it or whether you were just ignorant and didn't read it, this is something that we can't ignore. It's consequential. It's substantial. At the hearing tomorrow, I hope that people come and speak out against it. I hope it is not advanced out of the Executive Committee. And I hope that the 31 senators who have signed on to this resolution make the choice to remove their names. On my next time on the mike, I will talk about the resolution that I introduced in response to LR107. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Hunt. You're next in the queue, you may continue. And this is your third opportunity.

HUNT: Thank you, Mr. President. Today, I introduced LR118 and my staff and I had a bit of fun drafting many, many, many different legislative resolutions that I will introduce every day. I dropped one today. I will drop one tomorrow. I will continue to drop them every day until LR107 is killed. The, the resolution I introduced today is LR118 and it reads, "Now, therefore, be it resolved by the members of the One Hundred Seventh Legislature of Nebraska, First Session." And again, this reads just like LR107. It's the same type of tone and voice and language, which is what made it fun. "That we hereby reaffirm our solemn oaths of office by expressing a firm resolution to defend the United States Capitol, the sacred symbol of our democracy, against every act of sedition and insurrection, whether from citizens of the United States or their elected officials." 2. "That we are greatly alarmed that a factious and treasonous spirit manifested on January 6, 2021, in a violent attack on the United States Capitol in Washington, D.C., and that such insurrection was spurred by influences emanating from some members of the United States Congress and former president of the United States, Donald J. Trump, with a desire to sow discord among the citizenry and to destroy the outcome of the free and fair election that resulted in the election of President Joseph R. Biden." 3. "That we further protest against the actions of the mob of citizens who committed countless criminal acts resulting in incalculable property damage; caused physical injuries to many, including brave first responders; and brought about tragic loss of life, including an officer of the United States Capitol Police. We also protest the words of elected officials in the state legislatures and the United States

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Congress which sought to incite such mob." 4. "That we express distress at the knowledge that this insurrection was fueled by lies and misinformation and an official abuse of power by some local, state, and federal leaders, including Nebraska's Attorney General, Nebraska's Secretary of State, and Nebraska's Governor, who used the powers and privileges of their offices, granted by the people themselves, as well as state resources, to file frivolous partisan lawsuits designed to usurp the democratic process." 5. "That the Legislature requests cooperation from the Governor of Nebraska, the Nebraska Attorney General, the President of the United States, the President pro tempore of the United States Senate, the Secretary of the United States Senate, the Speaker of the United States House of Representatives, the Clerk of the United States House of Representatives, and the presiding officers of each of the legislative houses in the several states in defending the United States Capitol Building and our democratic election process." 6. "That the Clerk of the Legislature shall transmit copies of this resolution to the Governor of Nebraska, the Nebraska Attorney General, the President of the United States, the President pro tempore of the Senate, the Secretary of the United States Senate, the Speaker of the United States House of Representatives, the Clerk of the United States House of Representatives, and to the presiding officers of each of the legislative houses in the several states." So colleagues, if, if you want to go down this road, I have a whole stack of resolutions drafted and ready to go and we can tie the Executive Board up with all kinds of hearings. I can introduce them. I can have--

WILLIAMS: One minute.

HUNT: --other colleagues introduce them, and we can keep discussing these issues in terms of legislative resolutions for the whole entire rest of the session. What I want to happen is for people to take their names off of LR107 if this isn't something that you actually believe in and can stand by. And I want the committee to not vote that resolution out. And if it's voted out, we need to vote that down. And I will continue to introduce these resolutions every day. They're already drafted and it's actually a lot of fun for me. So it would be a great way for me to spend the rest of my session here this year besides passing the bills that we're going to have plenty of time to talk about. It's not about taking one topic and talking about another one. Instead, you guys, we're going to have time to do everything. We're going to have time to kill LB-- or LR107. We're going to have time to pass all the things that we want to pass, but that's really going to be up to you. Thank you, Mr. President.

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WILLIAMS: Thank you, Senator Hunt. Seeing no one in the queue, Senator Wayne, you're recognized to close on the committee amendment.

WAYNE: Thank you, Mr. President. Colleagues, I am going to work on this with Chairman Stinner and Senator Friesen around the overtime issue and around just funding. I want to make sure we get this right and we help out the communities that need it. So if you vote green on the underlying amendment and underlying bill, we will continue to work on this and get the number, whatever the number is, and we'll work on removing overtime or whatever makes this work for the best of everybody. Vote-- please vote green. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Wayne. Members, the question is shall the committee amendments to LB131 be adopted? All those in favor vote aye; those opposed vote nay. Have all voted? Record, Mr. Clerk.

ASSISTANT CLERK: 32 ayes, 6 nays on the adoption of the committee amendment, Mr. President.

WILLIAMS: The amendment is adopted. Returning to debate. Seeing no one in the queue, Senator Hunt, you're recognized to close on LB131. Senator Hunt waives closing. Members, the question is the advancement of LB131 to E&R Initial. All those in favor vote aye; those opposed vote nay. Have all voted? Record, Mr. Clerk.

ASSISTANT CLERK: 28 ayes, 10 nays on the motion to advance the bill.

WILLIAMS: The bill advances. Mr. Clerk for items.

ASSISTANT CLERK: Not at this time, Mr. President.

WILLIAMS: Returning to the agenda, LB132. Excuse me, I jumped ahead. Senator Wayne, we're going to LB131A. Senator Hunt, would you like to open on LB131A?

HUNT: This is the A bill to appropriate funds for LB131 and the committee package. Thank you, Mr. President.

WILLIAMS: Thank you. Members, the question is the advancement-- OK, excuse me, the Clerk has an amendment.

ASSISTANT CLERK: First of all, Senator Wayne, I had AM1188 with a note you wish to withdraw.

WAYNE: Yes.

ASSISTANT CLERK: And Senator Wayne would then amend with AM1257.

WILLIAMS: Senator Wayne, you're recognized to open on your amendment.

WAYNE: Thank you. This amendment is the one that changes it from \$10 million to \$5 million that we talked about on the previous bill. So I'd ask for you to vote green on AM1257 and the underlying bill. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Wayne. Seeing no one in the queue, Senator Wayne, you're asked to close. He waives closing. Members, the question is the advancement of AM1257. All those in favor vote aye; those opposed vote nay. Have all voted? Record, Mr. Clerk.

ASSISTANT CLERK: 34 ayes, 1 nay on the adoption of the amendment, Mr. President.

WILLIAMS: The amendment is adopted. Moving back to LB131A. Seeing no one in the queue, Senator Wayne, would you close on-- Senator Wayne waives closing. Members, the question is the advancement of LB131A to E&R Initial. All those in favor vote aye; those opposed vote nay. Have all voted that wish? Record, Mr. Clerk.

ASSISTANT CLERK: 28 ayes, 5 nays on the motion to advance the bill, Mr. President.

WILLIAMS: LB131A is advanced. Returning to the agenda. Now LB132.

ASSISTANT CLERK: Thank you, Mr. President. LB132 introduced by Senator DeBoer. It's a bill for an act relating to school finance; to create the School Financing Review Commission, provide powers and duties; declare an emergency. This bill was introduced on January 7. It was referred to the Education Committee. That committee reports the bill to General File with committee amendments.

WILLIAMS: Thank you, Mr. Clerk. Senator DeBoer, you're recognized to open on LB132.

DeBOER: Thank you, Mr. President. Good afternoon, colleagues. Today, I'm bringing to you LB132, which has been prioritized by the Planning Committee. I want to thank, thank Senator Vargas and other members of the Planning Committee for designating this as their priority bill this year. I also want to thank Senator Walz and her committee for working on this bill in the Education Committee and for the committee amendments, which Senator Walz will be introducing a little bit later. There is a thought experiment in philosophy about an ancient Greek

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naval hero called Theseus who builds a boat and wins the naval battle. Afterwards, his boat is put in a museum. And over time, one of those planks needs to be replaced because it gets a little bit rotten. And then soon another one and another one and another one and another one. And the question is, at what point is this no longer the boat that Theseus built? So at what point is the thing that used to be a solid thing being replaced over and over by time, no longer the original? In some ways, I think that's the question that we've been talking about with TEEOSA, our school aid formula, which itself has over time been amended, has been tweaked, has been changed, has been altered in a variety of different ways. This bill's discussion today is timely in light of all these discussions we've been having about education and education finance in recent days and weeks. It's time to talk about TEEOSA and our state aid formula. It's time to talk about whether our school funding is a factor in the gaps affecting some of our constituents. We can't kick the, the can down the road anymore, and we all know this. I do want to be clear here that I think there are problems in various areas of education that quite frequently don't have anything to do with just sending more money. I keep thinking back to what Senator McKinney said a couple of days ago or a few weeks ago about walking to school as a young kid. And I think he said people were shooting at or near him. Money definitely won't solve all the problems. Schools can't solve all the problems. But absent adequate funding to education, the problem will likely get worse. The question of what adequate looks like, though, is probably not agreed upon. That's the sort of thing that this School Finance Commission that I'm introducing in this bill is tasked with bringing a wide variety of people together and starting a conversation on. Conversations with all the stakeholders where they come around a table together and try to really craft what our school finance will look like going into the future. And here's what I will tell you colleagues. I don't have any interest in bringing an unbalanced committee. If this commission is too education heavy, it will fail to achieve the consensus that has value. If the commission is too heavily stand-- slanted towards a different interest group, perhaps ag producers, I don't think it will bring us through the place where we are now, where we are stuck without being able to produce consensus. The best way I know to come to consensus is to bring people together from all different perspectives, to sit and listen to each other, to listen to those who disagree with them, to try to understand the deeper concerns that people have. And maybe to some of you, you might think such a thing is impossible. But I will ask you if we've really tried this, not as a one-off, not as people working with one group and then another group, not when a bill is on the table to either support or oppose, but let's

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get a group of people together who can try to craft a solution from the ground up. Stakeholders who can't just say no, but have to take ownership in the problem in trying to come to a solution. Now I'm very happy to talk to anyone who would like to about a variety of ways to make the bill better, change the number or the, the makeup of the group of people on the commission, hire outside consultants to guide or inform us, any way that folks would like to do this. I just want us to have a conversation that takes place in a formal way where we get all the stakeholders together and try and really talk about how do we get out of the problem where we can't come to consensus on education finance. Property taxes, we all know we are all being asked to lower. We know we need more state funding to education because we're 45th, 49th, whatever, 48th, we've heard lots of different numbers. But the point is we're very low on that list. And without having more funding to education, I don't see a path to getting property taxes to be significantly lower. So we need to look at, really look at where are schools spending too much. Are they spending too much? We need to reexamine everything. And I know that this will sound bold or, or maybe not after the discussions that we've had this week. But I think that we need to put everything on the line. And I think that we need to address the question of why the status quo has been upheld for so long. I've tried to build in safeguards to this commission to help those with concerns. The first is, I know the Governor had a concern that this would be, I think he said on Twitter, a rubber stamp for raising taxes. So one of the safeguards that has always been part of this bill is that he would appoint all of the members. And I'm very confident that our Governor will be able to find 20 people who will not just rubber stamp raising taxes. So that's one of the safeguards. The second is that this is just a study, a conversation, and a report. It makes recommendations. The commission will continue to exist after its initial report. But the important thing is that anything they report is a recommendation. Now we've had a wide variety of commissions and committees and all sorts of things like this, where we have legislators working with stakeholders trying to come up with recommendations. I'm thinking most recently because I'm on the Transportation and Telecommunications Committee of the Broadband Task Force. So we have a lot of precedent for doing this sort of thing and it turns out that we don't just throw over all of our ability to think when we, we get recommendations from these groups. We still have the discretion. I'm really trying here to get a balanced committee, and I certainly believe that if you all think there's someone missing, I will 100 percent be the first person to write an amendment to make sure that it's more balanced. I ask you to believe in our Governor to appoint competent members who will look out for all of Nebraska. And I

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ask you to believe in yourselves that we can make our own decisions and will not surrender our ability to think to a report. I'll ask you to be bold, to try a new to us approach to the property tax problem and one which worked in 1990. I mean, that's the thing that's sort of most interesting to me. One of the pieces of paper that the pages handed out to you gives a little bit of a history of the 1990 or, well, 1988 commission that eventually produced TEEOSA. And on the back you can see the list of the members. One of the other lists that I handed out, just because it's a little easier to see it than having to read through the bill itself is the proposed members of the School Finance Review Commission. So those are the, the proposed members, although I will note that that reflects four senators, which is the subject of one of my amendments. So as it's currently written, without that amendment, you could take one senator off. So even if you think that this commission won't help, what do you think it will hurt? Getting more information, working towards consensus with more stakeholders in the room, at the same time looking for new solutions,--

HILGERS: One minute.

DeBOER: --how can that hurt? What we've been doing hasn't gotten us to consensus. Today, I'm asking us to take a bold step to support this commission to try a new approach. Let's try again. I know we're all tired. And we had some folks dedicated to this problem for a long time and I do not, I really do not want to diminish any of their work. I have no reason to. All that they have done, all of their service has led us to the point where we are now. And we might take a chance, a chance on studying the matter further, even further, after all their good work to try to make change, to try to make it better. So I'll ask you to join me in the hope that we can still do what our constituents asked of us and come up with a solution to the overreliance on property taxes in education. I'll ask you to join me in leading in hope, hope that we can find the answers our constituents have asked for. Thank you, Mr. President.

HILGERS: Thank you, Senator DeBoer. As the Clerk noted, there are committee amendments. Senator Walz, as Chair of the Education Committee, you're recognized to open on AM555.

WALZ: Thank you, Mr. President and members of the Legislature. The Education Committee listened carefully to the testimony and the robust ideas brought forth to help improve this bill. We looked at the makeup of the original review commission that led to the enactment of TEEOSA and considered the vast number of suggestions made by testifiers to

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strengthen the makeup of the commission created by this bill. Thank you to Senator DeBoer for her willingness to collaborate on this. The committee amendment, AM555, substitutes for the bill and makes the following changes. It increases the number of members on the commission from 16 to 21, adding the following five members: the property tax administrator or her designee, one public school teacher, and three members of the Legislature as nonvoting members appointed every biennium by the Executive Board, further defined as follows: one from each congressional district, no more than two from any political party, one being a member of the Education Committee, and one being a member of the Revenue Committee. In addition, some members of the commission have been modified from the original bill language. For example, the requirement that one at-large member have experience in agricultural, agricultural-related business has been changed to having experience in farming. The original bill required one school member and one school administrator representing school districts with more than 10,000 students. We have now specified in the language that one of these appointees must represent a Class IV school district and the other must represent a Class V school district. All other school board members and school administrators appointed to the commission shall represent a Class III school district. In the interest of time and the importance of the work the commission will be doing, the preliminary and final reports required in the bill have been moved up to the end of this year. Accordingly, the progress report, originally due by December 31, has been eliminated. AM55 [SIC AM555] specifies that all appointed members of the commission must be chosen within 30 days of the effective date of the bill to help ensure the commission is able to begin its important work promptly and meet the accelerated deadlines. I ask for your green vote to adopt this amendment. Thank you, Mr. President.

HILGERS: Thank you, Senator Walz. Mr. Clerk for amendment.

ASSISTANT CLERK: Mr. President, there are amendments to the committee amendments. First, from Senator DeBoer, AM1175. But I have a note that she wishes to withdraw and substitute AM1199.

HILGERS: Without objection, it's withdrawn and substituted.

ASSISTANT CLERK: In that case, Mr. President, Senator DeBoer offers AM1199.

HILGERS: Senator DeBoer, you are recognized open on AM1199.

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DeBOER: Thank you, Mr. President. AM1199 would substitute for a rather complicated way of appointing senators to the commission and instead substitute not three but four senators and just give that to the Exec Board to decide who they will be. Part of the problem was that I had made it so overcomplicated that it was actually saying who had to be on the committee without that person maybe even wanting to be on the committee, the commission. So this would just give it to the hands of the Executive Board to decide which senators were interested in participating and allowed them to sort of balance all the interests when they did so. So I would urge your adoption of AM1199. Thank you, Mr. President.

HILGERS: Thank you for your opening. Debate is now open on AM1199. Senator Kolterman, you're recognized.

KOLTERMAN: Good afternoon, colleagues. Thank you, Mr. President. I rise in support of Senator DeBoer's concept of LB132. And I, and I say concept because I like the idea of putting together a group of people that are like-minded, that are education-minded, that want to address the TEEOSA formula. And I, and, and I say concept because she's willing to work, I believe, any way possible to make it a better bill if we have concerns about it. I was thinking about bringing a bill like this. In fact, I've talked to several of the education leaders in the state and thought that perhaps this was going to be a, a two-year project, maybe even longer, where-- but you can't, you can't deal with an issue of TEEOSA without having all the players at the table. And I think that has to be a cross-section of the body. It has to be education groups. It has to be taxpayers. And many of those things are set out in Senator DeBoer's bill. We all know that property taxes are too high and they're driven a lot by education. And I'm not, I'm not saying that they're over-- we're, we're spending too much money on education, but I will say that we-- we're spending our fair share. But just as an example, this session already we've had-- just the other day, we had a vote on whether we would sunset TEEOSA. I think it was Senator Bostelman that recommended we follow through with that. We set a date on it and finish it by the end of the year so that we get something done. It's hard to believe that got 20 votes. I think that tells you right there that the people in this body want to see change in TEEOSA. The fairness issues come up. That's all part of the TEEOSA formula. Senator Friesen brought up LB454. I supported that because I think it is unfair. And at the same time, foundation aid, we have really no foundation aid inside the TEEOSA formula. I will tell you that the concept is great. The idea, though, that maybe we need to spend \$200,000 over the next biennium, I don't know if that's necessary or not. If we get the right people involved with this,

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they're getting paid anyway. They could come to the table unless that's going to be used to hire an outside consultant that can create this whole concept and we have outside opinions to help lead us through this. That's where I could see that becoming very valuable. People that have looked at other states and how they fund their education K-12, I think that could be very valuable. But again, I think Senator DeBoer's probably open to the idea of compromise on how much do we need to spend on this. I can tell you this, I've been, I've been a member of this body now, I'm in my seventh year and I've been on-- I've been fortunate to be on the, the Retirement Committee all that time. And I will tell you that for eight years we have been studying the Omaha Public School and how they fund their pension plan. We're going to get to talk about that possibly today or tomorrow. We have worked very closely with the players at Omaha Public Schools for eight years, but we didn't have everybody involved until approximately three years ago when, when the new superintendent, Dr. Logan, arrived. She brought people together and, and they were people on both sides of that aisle and they talked about what was good and what was not good. And so what you'll see later on is a compromise from people coming together and working together--

HILGERS: One minute.

KOLTERMAN: --to get something done. Thank you. So, again, I, I like the concept. We cannot continue to fight head to head about issues and try and change things on the fly when in fact we could bring people together that have had relationships long term and try and come up with a concept that's going to be appealing to both the educational establishment, the taxpayers, and the people in this room. So, again, I like the concept. It's, it's-- I think Senator DeBoer's open to changing what's necessary. She's already indicated that. And I would hope that as an outcome we can do something to advance education and the TEEOSA formula that's favorable to all school districts in this state. With that, thank you for bringing the bill.

HILGERS: Thank you, Senator Kolterman. Senator Linehan, you're recognized.

LINEHAN: Thank you, Mr. Speaker. And good evening, colleagues. I am not in support of LB132, and I have had several conversations with Senator DeBoer and she has been very cooperative and we've talked and we've talked. I just come from the place-- I've spent many, many, many hours on this and many, many meetings with educators and superintendents and school board members. And the, the lines that are drawn in the sand, I, I don't see-- there's lines drawn in the sand

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that are going to be very hard to overcome, one being when you talk to the schools and I don't care if it's GNSA or STANCE or NRCSA, they do not want to give up their property tax revenue. That is abundantly clear. And why don't they want to give up their property tax revenue? Because it is stable, it's there, they don't have to depend on us. And several of us here that were here before last year, what do we hear again and again? We do not trust the Legislature. So we had that hurdle to overcome. We've got a situation where we have such varied sites and school districts. And it's been my experience and maybe others have had a different experience, when you talk to a administrator or a school board member, they may have some understanding of TEEOSA and there's some finance people in the schools, Elkhorn, Lincoln have good finance people, they understand TEEOSA, but they understand it from where they're sitting. They do not have a grasp of how it works for others. That's not their job. Another concern I have about the bill is we have the chairman, and I like Matt Blomstedt, he is designated as a chair. He doesn't work for us. He works for a totally different elected board. So he would be in charge. So, I mean, that seems odd to me that we would have somebody totally that works for another elected board in charge of a commission for us. Senator DeBoer said this looked a lot like the Finance Commission in 1988 and '89. And I remember this commission. I remember when Scott Moore was here and Howard Lamb and Ron Withem. They were on-- they were like active members of the commission, three senators. We are now including, Senator DeBoer's made adjustments, we have senators, but they're not-- they're nonvoting. They get to kind of watch. They don't have a vote. So I don't-- I-- I've never bought into and I certainly don't buy into it now that there's only three people in the state that understand TEEOSA. We have several senators on this floor, Senator Friesen, Senator Briese, Senator Groene, myself, others, Senator Walz that have a very good grasp of how TEEOSA works. So I don't think we need to go outside the Chamber to address this issue. I think we can-- I think it's our job. I think turning this important issue that is a \$4 billion a year, over \$4 billion because you've got all the state money. And now that we have the property tax money going there for to lower property taxes, we're over \$1.5 billion of state money, then you have, like, \$3 billion of property tax money going to schools and you're going to turn that over to an unelected commission? It's hard, guys. I know it's really hard, but it's our job and we're smart enough to do this. We know, we know what the issues are.

HILGERS: One minute.

LINEHAN: Property taxes are too high. The other hurdle that I ran into for the last three to four years is the schools constantly cry that

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they've got to have a dedicated new source of revenue. In other words, we have to raise taxes to fix this problem. I'm just not going to get on that ship. I do not think we need to raise taxes to fix this problem. We had all the money that we have put into LB1107 and we have a lot of money we're dedicating to lowering property taxes now that I think could be used and Senator Friesen said this, we need to get to a point where we repurpose that money to have a better statewide school funding formula. I am for more state funding. I've been that since I've been here, when I ran the first time. I'm for that, but I want us to do it. I don't want to hand it over to a bunch of very good people, great people, but not elected. Thank you.

HILGERS: Thank you, Senator Linehan. Senator Vargas, you're recognized.

VARGAS: Thank you very much. Good afternoon or good evening. First, I want to thank Senator DeBoer and her staff for their hard work on LB132. LB132 has been designated as a Legislative Planning Committee priority bill. And as the Chair of the Planning Committee, I'm in full support of LB132 and I'm here to tell you why. The Planning Committee plays a critical role in both, they had the Unicameral strategically plans, but also in terms of our state government's efforts to plan and prepare for success and well-being for future generations. Now the Planning Committee works with the University of Nebraska Omaha Center for Public Affairs Research, it compiles and presents data about demographics and the workforce to the committee. The committee uses data to set priorities and then makes recommendations to the Legislature for legislation that aligns with those goals. And the key word is recommendations. We're still the ones that make decisions, but data can help inform recommendations. Last year, the Legislative Planning Committee established five priorities, topics for the committee. The topics include rural development, retaining and attracting 18 to 34 year olds, workforce training, restoring a healthy balance to our rainy day fund, which I'm sure Senator Stinner appreciates, improving K-12 outcomes. I got a thumbs up. LB132 actually supports all these priorities in one way or another. The question is going to be whether or not it's the right mechanism. Now per our conversation yesterday, I'd like to imagine that many of you, and I believe this, see the critical importance of the School Finance Review Commission. If you're concerned with how rural schools are being treated financially in the state, the bill should help ease some of those concerns, as well as answer many of the questions that arose during yesterday's debate. The commission will conduct its in-depth review and submit a preliminary report on its work to the Legislature by the end of this year. The commission will then submit a final

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report, along with its recommendations for the long-term, for the long-term financing methods to the Legislature by December 1, 2022. Now, please keep in mind the commission's recommendations are just that recommendations. It will ultimately be up to us as the Legislature to decide which of its recommendations to implement in statute. It is up to us on what we implement from recommendations, not anybody else. The commission will bring important long-term oversight to school financing in Nebraska, and its recommendations will assist the Legislature in identifying goals for school financing over the next decade. I believe as policymakers, our decision should be deeply supported by accurate and up-to-date data. I believe LB132 will empower us with the needed data and recommendations as we move forward. The other thing I just want to add to this is ultimately this commission is a commission and provides us the recommendations. Some people are concerned that, and I know Senator Linehan mentioned this, and I'm sure we'll have more of this, that a group of unelected individuals making these decisions is not the way we want to go. Ultimately, these decisions will be made by elected officials. But recommendations, like any recommendations we receive from stakeholders, are being brought by those most affected by it. Whether or not we agree or disagree with funding is necessary or needed, whether or not they can deal with a cap, which we fought and talked about, whether or not they need more funding, which we fought and talked about, the ultimate decisions will be left up to us. I think a commission full of some legislators, individuals, and stakeholders, and I do understand the concern about the Commissioner of Education being the chair, but I guess I'm less concerned about the Commissioner of Education being chair largely because a chair of the committee can drive where we go but the individuals that many of which are appointed by the Governor, will influence--

HILGERS: One minute.

VARGAS: --how the conversation is going. And at the end of the day, we don't have to accept any recommendations coming from this commission. It is still going to be left up to us. I think sometimes it takes a lot out of us to allow other entities to help inform our decision-making. I'm not saying that we don't intently do that as chairs of committees. I think I've seen that happen and we do that, but we have not been able to solve the problem yet. It's not because we're not trying, it's not because chairs aren't trying, but since there's no silver bullet, I think this is one mechanism that will help us provide a set of recommendations to reform what we do next. And that's why I'm in support of it. So I ask that you vote yes on LB132

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because more options can be better. And ultimately, at the end, we as elected officials will still have to say. Thank you.

HILGERS: Thank you, Senator Vargas. Senator Slama, you're recognized.

SLAMA: Thank you, Mr. President. And good afternoon, almost good evening, colleagues. I rise today still, still listening on LB132, not sure where I'm at on the amendments either, but I think we're going to have a great discussion today about the ins and outs of what this commission would do, the data we'd hope that they'd collect. And I, I appreciate Senator DeBoer's efforts here. And I do think this information needs to be collected. But as a few people have already noted on the mike, I'm not entirely sold on the idea yet that this is the right mechanism to go about doing that. So a fun fact about me is one of the things I study pretty extensively is statistical analysis, especially when it comes to public policy. It's been a large part of my college education, putting it in practice now and I worry about the makeup of the current committee as amended by AM555 and how it could skew the data. And I think we're creating this commission with a certain outcome in mind. And I worry that that certain outcome is additional unchecked funding on the state level for our K-12 education. And if I'm wrong on that point, I'd love to be told otherwise, but I just worry just based on the 22 members that will make up this commission. Well, 21 right now. I think Senator DeBoer has it at 22 with the additional member of the Legislature from AM1199. So out, out of this membership we've got the Commissioner of Education or somebody he designates, one representative of the Governor appointed by the Governor, three, if we adopt AM1199, four members of the Legislature, property tax administrator or someone designated to be at the meetings on their behalf, one representative of postsecondary education with expertise in school finance, one member of the Educational Service Unit Coordinating Council, one school member-- school board member and one school administrator, each representing each of the different classes of schools we have in the state of Nebraska, one teacher and six members from the state at large. And I just worry that in the makeup of this committee, LB132, yeah, it deals with school funding and this is an issue that we've known as a problem for years now. Essentially, I see doing another study on this issue as standing outside a burning building, knowing there's people inside, knowing there's things inside that need to be safe, standing outside and going, yeah, we, we should do a, we should do a study on why the fire got lit instead of actually going and putting out the fire. All of the data that I think this commission intends to collect is something that could be collected in a legislative resolution, an interim study. Pretty easily, all of this

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information is publicly available and it can be compiled in an LR. It doesn't have to come at a cost of \$200,000, and I-- I'm just struggling right now in the makeup of this committee and the data points that it seeks to collect. Senators are free to collect this on their own accord. Again, it's all publicly available and I worry that LB132 is going to be the next step to us arguing two years from now when the commission gives us their report that, hey, this commission has said we need to dump more state dollars unchecked without addressing TEEOSA. The overwhelming majority of folks on the committee do represent those urban schools and a large problem with TEEOSA is that it disproportionately benefits kids in those urban schools. So if we're seeing a disproportionate representation of urban education and interests on this commission, of course we're going to see data outcomes that maintain TEEOSA, that recommend small--

HILGERS: One minute.

SLAMA: --fixes. I think Senator Erdman put it well earlier today in his debate on LR11CA that in this body, we're trying to put a, a Band-Aid on an amputation. And I, I struggle with LB132 because I see that as being a Band-Aid when we already have this information be avail-- being available. We've already discussed this data. We've discussed how it impacts a rural kid, a kid sitting in a classroom in Pawnee City versus a kid sitting in Papillion. And I worry that the makeup of this commission and the data points that it intends to collect will skew the data so that the Legislature will be operating on data that's intended to come to a certain conclusion for us from a policy perspective. So I'm still listening to debate. I, I want to get on, on board with LB132 and I'm not there yet. I'm still going to listen to debate, though. So thank you, Mr. President.

HILGERS: Thank you, Senator Slama. Senator Friesen, you're recognized.

FRIESEN: Thank you, Mr. President. I rise in support of LB132 and I, I support the amendments and I encourage people who-- if, if we don't-- if the right people aren't listed on there, let's come up with suggestions of who we'd like to see. I will say that I have been here, this is my seventh year. We've had all sorts of groups meet. We've had all sorts of different ways we've gone about this and none of them have succeeded. I'm willing to try this. And if we don't have the right people listed, let's come up with the right people. And again, this is going to be a recommendation to us. And if we do form this commission and at the same time we ignore it and leave it sit on the shelf and don't listen to the-- to what the commission says, that's our fault. But we've got to get something going because we all sit

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here and talk about how we think the TEEOSA system is not fairly and equitably distributing state aid across the state. We've got schools, 180 schools out there that don't receive any state aid to speak of less than a half a percent of their needs versus some schools receiving over 80 percent of their needs. Something's got to change. We've tried numerous methods here. We've had different coalitions meet. We can never get it across the finish line. We do have a lot of revenue set aside for property tax relief. And this commission, I would encourage them to look at those funds and use them, use them to change how we fund K-12 education. Let's talk about how we might do that so that we can lower the burden on property taxes. And we don't always have to listen to the schools. They don't have to have access to property taxes if they have access to adequate state funding. I am-- you know, this commission, if, if they're not the right people and I've talked to Senator DeBoer and she has, from the initial bill, she has changed who she put on the committee. If there's other changes out there, bring them. And I, I think there's competent people in the state. If, if people know them or think of them, let's find a way to get them on there. And, and she said she's been open to making those changes. We can make this commission something that we can all buy into. Let's get it done. And then we still have to have the Legislature implement it. We can't just do another study and leave it on the shelf. And we've done that. We've done that too many times. And there's a possibility we'll do that with this one. If we don't like what it says, we'll put it on the shelf and we'll ignore it and we'll continue to go on until something breaks. I think this is an opportunity. I look at this, and, and if we would have had something like this in place before the huge increase in land values, maybe they would have come up with a recommendation that started to adjust things when it didn't cost much. They could have made some changes then to TEEOSA that looked at different things that were happening in the state. Just like now, they might look at the spike in housing values and they might make some adjustments. But it seems like this body at least can't come up with solutions. Everyone out there has been focused on this and talking about this, maybe it takes an outside group. I remember when we, we did our water policy task force, it was a group of 49 members. And the amazing thing of that is we operated strictly by consensus. Every one of the 49 members had to agree if something moved forward. And you know how sensitive--

HILGERS: One minute.

FRIESEN: --we know how sensitive water law is in this state of Nebraska. Water is-- whiskey is for drinking water is for fighting over. And with that operating under consensus the way that I did, I

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never thought we'd get anything done. And in the end, we made a policy change to Nebraska water law and 49 different people approved it. It can be done. If we can get a commission together with the right people on it, they can come up with a process, they can come up with a recommendation, and then it'll be up to this body to adopt it. So I encourage your support. And if you've got changes, I encourage you to talk about them. Let's get them up on the floor. Let's talk about them. Let's get something done. Let's get something in place that can maybe reach some sort of consensus and give us a path forward. Thank you, Mr. President.

HILGERS: Thank you, Senator Friesen. Senator Albrecht, you're recognized.

ALBRECHT: Thank you, Speaker Hilgers. And I rise in opposition to LB132 and the amendments. Senator DeBoer, I applaud you for coming forward with what you feel is a good solution. But five years ago, when I came to this body, not only was it property taxes I was concerned about, but the TEEOSA funding and there's so much more to funding of schools than just the TEEOSA. That's a very large part of it. But we all said, the 18 of us, when we came on is, boy, we really need to study that. Well, no one has taken that study on. I will, I will give you that. But in my eyes, what you're doing here is a great LR. And the reason I say a great LR, you can call all of those people to the table and between all of the senators that if you decide to have the Education Committee, if you decide to have the Revenue Committee there, if you, if you decide to have volunteers and, and let the Executive Board decide or the, or the Governor, whoever you want those senators to be. Because number one, it takes people with the, with the fortitude to sit down and listen to all of the folks that come before you. Because I'm here to tell you, those folks that you have on this-- in this bill and who you would like to have represent, they all answer to someone. They answer to that superintendent. They answer to those school boards. They're the very people we're giving the money to. So I feel like if you have the same bill, just put these, put these same people in front of state senators. That's our responsibility to figure out how to fix this. It's our responsibility-- you cannot take people-- and, and my goodness, to have the Commissioner Blomstedt, he's going to have a lot to do between now and the end of the year with the health standards that they have. He's going to be pretty busy. But you take those same people that you have on this list and you put them before a, a group of people, that's where you get things done in an LR. Because, you know, where did the ImagiNE Nebraska come from? Where did the Blueprint Nebraska come from? It came from, from state senators,

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mostly all of the, the chairs of all of the committees got to come together every Friday throughout the interim and sit down and talk to people about what they feel Nebraska needs. But it is not for, I don't believe, a group of 20 some people to decide the best thing that we can do. They're not going to want you to take money away from them. They're trying to figure out how to get more. It is our responsibility. We were voted in by the people. There's enough of us here that can raise our hands and say, I want to be on that committee. I want to study this. I'll, I'll take every week of my interim to study this TEEOSA. I'd be happy to be a part of that. But I'm just saying that this is an excellent LR, perfect. But we don't need any fiscal note on this. We meet like we do for any other LR and we show up. There doesn't need to be any money, we don't need to pay anybody to do this. That's what we're supposed to do. I just-- and I'm just, like, flabbergasted that I see these Nebraska Farm Bureau, the Cattlemen, the Corn Growers, pork, I mean, why-- what are they doing, telling us to meet with someone else? We've met with them the last six years and every time we look for property tax relief, it just wasn't enough. But I'm here to say, if you get these, these same people in front of us and we can decide who we want to talk to and how we're going to get there, you know, we'll call, call Ernie Goss from Creighton in and--

HILGERS: One minute.

ALBRECHT: --get his opinion. There's all kinds of people that can help us with this. It should be right here in this building, we should be able to find the answers without putting commissions together. I just don't believe that we need to do that. And that's why I just can't support something like this. Thank you.

HILGERS: Thank you, Senator Albrecht. Senator McCollister, you're recognized.

McCOLLISTER: Thank you, Mr. President. Good afternoon, colleagues, or I guess it's close to evening. I support LB132 and the underlying amendments. I think it's a good idea, always thought to involve stakeholders and let them hammer out a solution. I think efforts to arrive at a unilateral kind of situation is just destined to fail. I've been-- I'm in my seventh year as well. Seems like old-timers club today. And I know that having served two years on the Revenue Committee, that any effort to come up with a solution out of the committee without involving stakeholders is, is just a bad way to go. What do we have to lose by creating this committee? We have tried so many times to come up with solutions and we have not been able to come

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up with a viable work product. I think even those people that serve on this committee recognize that resources are limited. We can't continue to fund education thinking that finances are unlimited. So I favor this-- the creation of this, this new body. And I thank Senator DeBoer for the idea to push it forward. Thank you, Mr. President.

HILGERS: Thank you, Senator McCollister. Senator Hilkemann, you're recognized.

HILKEMANN: Thank you, Mr. Speaker. I want to thank Senator DeBoer for bringing this bill. I think it's long overdue. My riding partner for the last six years, Senator Kolowski, was always saying we need to relook at the TEEOSA formula. It's been on over 35 years. Things have changed and we, we have dynamics that occur all the time. And, and we need, we need-- when I first looked at this bill, Senator DeBoer, I looked at and I thought, well, I was thinking we would just have like one year or one time. And then I looked at it and it goes on for several years. And I thought, you know, that probably is a good idea. And then I thought, I thought, you know, this could be a board or something similar, like the State Board of Health, which I was on at one point. And we deal with healthcare issues and we make recommendations to the Legislature and we can either accept those recommendations or we can't. And then I think we've got, we've got a forecasting board, of course, it makes decisions for us three or four times a year as, as to what. And so the idea of having a board that we set together and, and is dynamic, that can change with this. You know, I, I strongly suggest that probably next year we're going to be here. We're going to be-- we're even going to have bigger property tax questions, particularly when it comes to ag land, I think with \$7 corn and with some of the sales that have been happening in agriculture today, we're going to find that, that ag land is going to be going up more and we're going to have more property tax discussions coming down. And I think this is a committee that could work with that and maybe could take those into consideration. I think there's lots of possibilities that come with this. And so therefore, I think that this is-- it's time for us to think about this. I have a couple of concerns when I look at a board and it says 20-- is 24 members on that board, I think, wow, that could be just a little unwieldy. And do we need to have 24 members? How can it be pared down, do we need to have four senators, maybe just two senators. Do we need to have each of those ones. But those are details that can be worked out. But I think the idea, the concept of having an ongoing board that would help us in our education financing is good. And I'm looking forward to the discussion that we have on this. And at this point, I will be supporting this and I will be listening. And I know that there are certainly those who

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feel that this is the wrong way to go. But I want to tell you, as so many have said, I've been here seven years. We keep coming up the same thing, property taxes are all out of, out of skew. We've got-- we've had numerous bills here changing agricultural land or exempting ag land or taking them out for the bonding issue for, for those. So this might be an avenue that would be a benefit to the legislative body. And one of the things I thought about maybe, maybe we don't have the Department of Education director as the chair of this, but those are, those are details that can be worked out. And so, Senator, thanks for bringing this. And I will be supporting him at this point. Thank you very much.

HILGERS: Thank you, Senator Hilkemann. Senator Groene, you're recognized.

GROENE: I stand in opposition to LB132, of course. I have to give it to the education establishment after filibustering LB408, stopping LB1106 last year, even Senator Friesen's LB454, they got the comeuppance to come up with a study group that they dominate, they dominate, administrators, coordinating commission, Department of Education, school board members who are usually lackeys for the superintendent, the ones that will be appointed. I've seen it. I was Ed Chair. I seen the testimony from school board members hadn't had a clue how TEEOSA worked. I seen it from business managers at schools, Ralston, who didn't have a clue how option enrollment worked. You put the fox in charge of the chicken coop. Senator Kolterman, you worked as a committee. I was on your committee with the classified school, Omaha. You did not have stakeholders on a special commission giving you advice. The St. Francis and HHS Committee, that was senators on that committee, not stakeholders. I can go on and on. This is a bad ideal. This is putting the establishment in charge of the chicken coop. They are bold. Read this thing. It gives them directions what to find. Find the how we're going to pay for preschools, how we're going to fund college readiness and career readiness at funding. We already fund this, folks. This tells them to find more funding. Examine the cost and resource necessary to meet the diverse and growing needs of students. Diverse and growing needs, they're immigrants and Americans and their children, their children. Here's the big catch--all they always put in these things, examine other issues related to public elementary and secondary school finances necessary determined by the chairperson. The guy who is dictated by eight, very liberal, is told what to do, State Board of Education members, and he likes his paycheck. Just talk to him once. He will be told what to do. And the next thing we're going to be doing is special education, how we need more money for that. How we need more money for more meals and

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full-time school year round and how we need to pay administrators who are the highest paid in the nation more, or you're going to put a union member on this, one of the school teachers. What do they know about financing than any other taxpayer knows? They don't know a darn thing except what's in their classroom and their job. You're going to put them on the commission. They're all going to say they need more pencils and notebooks, more money. Oh, did I insult them? No, I didn't, because most school foundations, that's what they do, get classroom supplies for teachers and that's what teachers want. Because a lot of them pay for their own. This is a joke. Is this body going to turn over 40 percent of our funding-- it used to be around, I guess it's 30 percent, but overall ESUs and everything of our budget to the education establishment, it grows and grows and grows. And all they want is more money, more money. We talked about poverty, we need to start asking them some hard questions of all the money we gave you, why haven't you fixed poverty? Why haven't you broke the chain of it from generation to generation? More money. Is that who we are? I guess for \$12,000 a year, we turn our responsibility over to a--

HILGERS: One minute.

GROENE: --the establishment. That's what this bill does. We don't do it in other issues. I just explained it. We had the Tax Modernization Commission eight years ago or so run by Hadley and with the Education Committee and the Revenue Committee, they came out with amazing recommendations. Guess what? Education establishment didn't like it and just got enough senators here that maybe got a \$330,000 contract from LPS. Jumps when they say jump. And we don't come up with 33, we come up with 32, 28, and then we wring our hands and say, let's have a commission. Oh no, we solved it. LB1106 solved it. It addressed all the issues that we've heard over the last 20 years. But the establishment didn't like it. And now you're going to put them in charge. Conservative senators, rural senators, Senator Friesen, you're really going to do this,--

HILGERS: That's time.

GROENE: --put them in charge.

HILGERS: Time, Senator. Thank you, Senator Groene. Senator Bostelman, you're recognized.

BOSTELMAN: Thank you, Mr. Speaker. I think we hear why nothing gets done on this floor. Because everybody has something that they don't like about something else. The other day when Senator Wayne had the

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amendment about sunseting TEEOSA, that should've said something to everybody. We can't continue to fight among ourselves, four-plus years I've been here, other seven years, nothing's gotten done that substantive to answer the questions. But no, we don't want to do anything that just may, may give an opportunity. Senator DeBoer has said, what changes do you want? I'll make them. I told Senator DeBoer before that I will give her a green vote on General File because I think I cannot stand here on this floor and continue to watch us do nothing. And I can't stand here on this floor and fight for bills I know that will never go anywhere. And to say to Senator DeBoer at this point on her bill, no, I think the word is hypocritical. I want to change how we tax property if that means changing TEEOSA formula, if that means a consumption tax, what is it? But we continue to come up with ideas and we fight on our own committees about what is and is-- will and will not come out and what we will and will not work on. So change the makeup of this group. I personally think that it should sunset. Change the makeup of the bill. What is it you don't like? Talk to her. I'm willing to have that discussion. I hear within committees of the fighting that goes on, well, I don't like that for whatever reason, I don't like that. So we get nowhere. We can get 23 votes on something but we can't get 25. And it'll continue to go on. So unless we give other opportunities, I think what Senator Albrecht said and maybe has some merit there, you know, do we need to have more senators on this? Is there another way to look at this? Sure. Let's talk about it. But just to say no, because. I don't see this as a rubber stamp anywhere. I see this is an opportunity for us to at least take a look at it. At least let's have the discussion. Let's have the debate. Let's talk to Senator DeBoer. What don't you like? Let's see if she can change it. She's willing to change it. See if we can make those corrections, whatever they might be, and let's move it forward. Let's, let's really take a look at what we're going to do in tax reform, if it's TEEOSA reform, property tax reform. Because if we continue to go down the path we're going to go down, I know the next three years, nothing will happen. We'll continue, I think, as others have said, maybe Senator Erdman has said, we'll continue to eat around the edges. We'll never get to the heart of the problem. But we've got to do something, take a stab at heart of the problem. What is it? If it's not this than what? Twenty-three votes on sunseting TEEOSA. Twenty-three. We need to take a look at something. We need to make things change. We need to put down--

HILGERS: One minute.

BOSTELMAN: --and put aside whatever frustrations, whatever differences, whatever preconceived notions we have about things and

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let's see if we can figure something else out here. Again, yesterday, we had, we had LB454. We had a bill. Let's do something. No, let's not. Change it. Fix it. Do what you need. No, let's not. Consumption tax. Interesting. Those who voted for consumption tax and those voted against LB454. Where is it going to go? When are we going to make a decision? When are we going to make some changes? This is an opportunity to, to make some changes maybe to her bill, to give those opportunities. We haven't had that opportunity yet come out of any of our committees. It's been if anything comes out, it gets killed on the floor.

HILGERS: That's time, Senator.

BOSTELMAN: Thank you.

HILGERS: Thank you, Senator Bostelman. Senator Linehan, you're recognized.

LINEHAN: Thank you, Mr. Speaker. I, I just want to sum what I feel are misconceptions that we don't listen to the stakeholders. So I have the Nebraska education collaboration, I had staff print off on their website, their, you know, wish list. So we have the Nebraska Council of School Administrators and they've got their own executive director who lobbies the Education Committee, the Revenue Committee all the time. We have the Nebraska Association of School Boards, who has an executive director paid who lobbies us at every, every time we talk about money. We have the Nebraska State Education Association, NSEA, who most certainly is at every hearing on school funding. We have STANCE, which is the group that represents the middle-site schools, Lakeview, Norris, Waverly. Those are the guys kind of squeezed in the middle. They fight over what-- the next one, GNSA, the Greater Nebraska Schools Association, leaves on the table, which is not much. So the Greater Nebraska Schools Association, they have their own executive director who comes and testifies at almost every hearing we have about finance in Education Committee and/or the Revenue Committee. We have the Nebraska Rural Community Schools Association, otherwise known as NRCSA. Those are the really, really little guys at the bottom. Many of them are in Senator-- well, all the rural Senators have several little schools. So they are the real bottom of the food chain. Then we have-- we're not done. We have the Educational Service Units Coordinating Council. They too have an executive director that testifies at-- I'm on Education and Revenue. I see a lot of them. We have Stanford Schools, which is a group that is paid for somehow, and they come frequently and testify. And then on top of all those groups, with all their executive directors, we have the lobbyist. Every

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school, I'm pretty sure in GNSA, or how many there are, I have a list of them here. They have their own contract lobbyist. Then we have-- some of the Stan Schools have them. Now, I don't think most of the nurses schools can afford to contract lobbyists so they don't have them. So to say that the education community is not represented in the Legislature is like, not even close to reality. And why do we have a problem? Because we have these hearings and this is obviously, I think, going to go on for a while so I can bring some transcripts from hearings. You have like eight education groups that come in against something or for something, and then you have the Farm Bureau and maybe the pork producers and maybe-- maybe not very often, sometimes the Chamber. So that's the balance we get represented. So to say we don't listen or they're not in the room, it just-- there's no-- that's not true. GNSA, another thing that's said frequently, the greater Nebraska schools say all the time they get 75 percent of kids. That's why they should get all the money, you get 75 percent kids. Reality is, they don't have 75 percent of kids. I sat here yesterday, as you all know, like I'd like to play with numbers. So here's what the report from the Nebraska Department of Education says. We have 359,905 children in pre-K through 12 schools in Nebraska; 51,914 of them are at OPS, one school, 14 percent of kids. Lincoln Public School has 41,000, 11.5 percent of the students.

WILLIAMS: One minute.

LINEHAN: One minute?

WILLIAMS: Yes, Senator.

LINEHAN: Millard has 23,633. So those three school districts have a huge number of students. They also get the lion's share of state aid. They also have a great number of Senators that represent them in this body. So you've got those three school districts-- I counted up, I think they have 21 state Senators and I'm just going to guess here, Senator Brewer has 30 schools. That's why it's unbalanced here, because we act-- when it comes to this issue, we act like the lower house. We do not act and vote like the upper house. And I don't think a commission or an LR is going to change that. What we need to change is who we represent. We represent the whole state and we should not get caught up in just our little part of the world. Thank you.

WILLIAMS: Thank you, Senator Linehan. Senator DeBoer, you're recognized.

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DeBOER: Thank you, Mr. President. A lot of things I want to sort of talk-- respond to in the conversation, but I think Senator Albrecht made a really interesting inquiry and I wanted to kind of address her-- her inquiry first, which is why is this not just an LR? I think that's a really good thing to ask. It's a good question to ask. There's-- there's sort of two reasons. The first is that this is not going to go away, the way an LR is just a one-time thing. The reason for that is, I looked at history and historically the 88 commission stayed in place for a while after TEEOSA was enacted so that it could monitor what was going on with the formula. The idea is, for me, that if we had had such a body in existence over the course of the last 10, 20 years, we would have seen-- we would have been able to to have them sort of alert us as ag valuations started to inch up and say, this is going to be a problem for the TEEOSA formula. The TEEOSA formula is, in fact, not operating against what it's supposed to do, it's operating exactly as it was designed to do. It just couldn't factor for the externality of the precipitous rise in ag valuations. It wasn't able to respond to something which had been outside of sort of the normal course of things. And so if we'd had the commission, I think during that time period the commission would have made recommendations to the Legislature like, hey, you know, we're going to get into trouble here and I think that that would have been a useful thing to have. So that's one reason is the sort of ongoing nature of the commission so that it can-- can sort of hint to us when we're getting into trouble, when the-- when the formula as it is written or as it might be written in the future, won't be able to account for, respond to, wasn't designed to react to the situation. So that's one thing. The other thing is there's a-- a story that I just-- I find very interesting. The-- the-- the historian Meachem was at an event that I was at one time, and he told the story about how during the Cuban missile crisis, Kennedy was having a really hard time figuring out, you know, one group would come in and they'd talked to him and then another group would come in and talk to him. And according to the story, he had some trouble, like, how do you decide who to talk to when? How do you decide which person is right when they tell you conflicting things? And apparently, even though he disliked or politically disliked or disagreed with Ike, he called up Eisenhower and said, what do you do? And Eisenhower-- so the story goes is, Eisenhower said, get everybody in the same room. Get everybody in the same room so they sort of can vet each other in real time so you can hear the arguments. And that's something that I brought to my legislative work. I think that's really important because if you just talk to one group, they'll tell you one thing and you talk to another group they'll tell you another thing. It's really hard to kind of

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balance those arguments unless you have them in the room at the same time. So that's part of the reason that I thought that this would be really important. Another difference between an LR and this is that an LR, you have a hearing, you sort of end up in a situation where there are people coming on a timeline and they have three minutes or five minutes or whatever, and they give a little prepared speech and then you can ask some questions. But it's not the same kind of back and forth which I was envisioning here. So that's one of the other reasons, as I was imagining folks sitting around a table and having a really collaborative process where they can-- they can say, you know, this is really something, I think, and then build off of another idea and another idea and another idea. So that was part of the reason as well. So there are a number of reasons why I thought that-- that there should be-- that this should be the commission. And just also because of its historical success.

WILLIAMS: One minute.

DeBOER: The fact that it succeeded in the past said to me, hey, let's give it a try. We haven't had success necessarily on this issue, here's another thing to try. One thing I do, because every time I'm up on the mike, I want to say this. I'm open to whatever. Right. If this commission-- if this-- the makeup of this commission is skewed, I don't want it to be. Right. So if it is, then it isn't how I want it. So if the commission is skewed, let's fix it. Right. I have no interest whatsoever in putting together a skewed commission. I don't think it does any good. Right. If it's skewed, they won't come to consensus. What we need is a balanced commission so that when we bring these people together, they can represent all the different viewpoints. So if it's not-- if it's not right, it needs to be right. It's absolutely important that it's right. And, you know, one of the things that will help it to become right is having more people, you know, give me what they think needs to say.

WILLIAMS: Time. Senator.

DeBOER: Thank you, Mr. President.

WILLIAMS: Thank you, Senator DeBoer. Senator Murman, you're recognized.

MURMAN: Thank you, Mr. President. I appreciate Senator DeBoer bringing this bill forward to the Education Committee and I was one of them that voted it out of committee. I did that with a sense of total frustration that in my third year now in the Legislature, we haven't

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accomplished a whole lot toward reducing the unfair burden on property taxpayers in this state. And also, we haven't really addressed in a comprehensive way the problems with school funding that we have in the state of Nebraska. I did vote it out of committee, but I do have some grave concerns about it. I have talked to Senator DeBoer about it. I apologize, I haven't really given her any specific ideas on how to change, but I know there are amendments coming up with some ideas on how to improve the bill. And I, most likely, will be able to support the bill with the amendments that are coming up. But some of my concerns are similar to Senator Albrecht. She mentioned the representation on the board needs to be balanced more toward property taxpayers or taxpayers in general, but especially property taxpayers. There is good representation on the Board of Education, but the-- the people that-- the citizens that pay for the education need to be better represented. And especially agriculture producers. I don't have exact statistics on it, but I-- my best estimate is that about 170 or so of the 244 school districts are probably funded in the majority by agriculture property tax. And so I think they need a bigger representation on the board. And I do agree also with Senator Albrecht that maybe the chairman of the board should be someone different than Matt Blomstedt. I know Matt Blomstedt is a good commissioner, but he's got a lot on his table, as Senator Albrecht mentioned, with the sex standards and health education and everything that he has to do as commissioner. And he'd also be definitely pulled in one direction by the-- the education establishment, and we need a more balanced chairman that would represent taxpayers and-- and education. And in hindsight, also, Senator Albrecht mentioned, I think an LR maybe could have done the job. I was OK with the 200-- well, \$100,000 over two years being spent on the commission. I thought that was a reasonable amount of spending, but-- but maybe it could-- could be done also with an LR rather than-- than a commission. And as Senator Bostelman mentioned, I think a sunset would be good. There is, of course, urgency to this commission to come out with represent-- with-- with the suggestions on spending and-- and school finance. There's-- there's an urgency to that. And I think it can be done in probably by the end of the year or something like that. So a sunset would be good on it. So with-- with the amendments coming up, I think I could support the bill. Right now, I'm-- I'm leaning toward not supporting it.

WILLIAMS: One minute.

MURMAN: Strongly leaning that way. And I appreciate Senator DeBoer's work and her continued willing to negotiate on these things. And with that, I'll turn my time back to the Chair.

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WILLIAMS: Thank you, Senator Murman. Senator Lowe, you're recognized.

LOWE: Thank you, President Williams. I give my time to Senator Linehan.

WILLIAMS: Senator Linehan, you are yielded 4:50.

LINEHAN: I was-- I'm sorry, thank you. I was talking to Kay Bergquist in my office because she worked for the State Department of Education. She's also been here a long time and she was-- I was trying to pull from her because I've-- the conversation-- is Senator DeBoer. Yes, she's right there. So it's my understanding that the commission, which you said this goes on, that's why it can't be an LR because it goes on and on, was actually disbanded by then Chairman Raikes, who was Chairman of the Education Committee. So is that your understanding, Senator DeBoer?

WILLIAMS: Senator DeBoer, would you yield?

DeBOER: Yes, I would. Yes, so it was disbanded, I think it was-- I can't remember the date and I-- I'm sorry, maybe 2002, 2005 somewhere in there, under rates.

LINEHAN: Do you know why he disbanded it?

DeBOER: What I've been told, I don't know, the sort of urban legend is that it was budget cuts.

LINEHAN: I think the other urban legend is that he didn't think we needed a commission, that that was Education Committee's job.

DeBOER: I mean, I don't-- I don't know. I don't have the ability to ask him.

LINEHAN: So if we had an LR and we had it for a year, I see-- between the Education Committee, the Appropriations Committee and the Revenue Committee, it seems to me that's kind of those committee's jobs to make sure these things are working. I mean, they all play a role. So that's-- well, I do have one more question. On the committee-- your list, I've been comparing the list that's being proposed with the list that was back in the 1989-88. They had 7 out of 16 people representing the seven different school districts and then they had three senators. And then they had the Cynthia Milligan, who was director of Department of Banking, Don Leuenberger, who is vice chancellor for business and finance at UMC. And then I don't remember Jean, who is dean of business technology at Kearney State College and then the deputy

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commissioner of education, Charlene Berenson, who was the Seward County Independent, now she's at University, Nebraska, and Lyn Ziegenbein of Peter Kiewit Foundation. So it seems like it's pretty evenly divided between senators, business interests and school officials, whereas, the one that's being proposed here, and I know you said you would change this, is we have-- am I reading this right? We have one member with experience in business and one member with experience in farming. Is that--

DeBOER: So, so at least one member, right. Because there's also four at-large members that-- that could be from there.

LINEHAN: But don't you think it would-- because this is not just about education funding, because if, as Senator Groene pointed out, we're going to talk about whether we should have more preschool funding, whether we should have more career readiness funding and-- and dual enrollment, growing needs, that's all probably more revenue, right? So that would be more taxes. So wouldn't it be better if we had, like, a pretty-- if we did this and I'm not signing off on it, but--

WILLIAMS: One minute.

LINEHAN: --wouldn't it-- shouldn't it at least be half the people be taxpayers?

DeBOER: Absolutely. And I-- I have no problem with that. I thought that I was kind of getting there, but maybe I haven't because I added the represented the Governor, the property tax administrator.

LINEHAN: Thank you, Senator DeBoer. My question would be why we had-- we didn't know that when we went into this, why we would have to get this far down the road before we realized that there should be a balance between the taxpayers, business interests and the people from the schools. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Linehan and Senator DeBoer. Senator Lathrop, you're recognized.

LATHROP: Thank you, Mr. President, and colleagues, good evening. Over the last week and a half, we have had a series of revenue bills, much of them dealing with education issues. We've had the opportunity scholarship bill where we talked about the education gap with students in poverty. We have people from rural Nebraska very concerned and-- and city dwellers concerned about property taxes. We've spent the last week talking about what a mess we have on our hands. We have problems with our taxes, much of which goes to pay for the cost of educating

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children. We have disparities in educational outcomes. We have all of those things that we've talked about just in the last week-- in the last week. And now we have an opportunity to put a group together to study those things. Now, one thing that should be really crystal clear, these guys can't pass a single bill, right? What are they going to do? They're going to come and give us some ideas from their work, not unlike the Water Sustainability Task Force, right? This makes-- the timing of this makes perfect sense, and you can-- you can fairly criticize the-- the composition of this commission, that's something that can be worked out. That's probably not this commission and the composition of the commission. Probably isn't what I would have done. But it sort of illustrates the next point I'd like to make, which is sort of when I look at putting a commission together, a group, we're going to do this for Corrections here pretty soon. And you might be interested to know that when we have a task force to work with the CJI, we'll end up having nonsenators on it. Why is that? Because we don't have one chance of persuading law enforcement that any of the ideas that would-- we would come up with makes sense unless they're in on it at the ground level. Think about that. This is a management style sort of thing. Is it going to be top down? We'll have three senators from revenue and three from education. They will become experts and then pronounce what the solution is. Or do you have those people involved so that they can see that the concerns of other school districts, of other educators, the challenges rural Nebraska faces with property taxes, the challenges urban Nebraska has with property taxes, how are we going to fund? What are we going to do about the education outcome in equality? This is the perfect time for this. And you can-- you can have some say in what that commission looks like if we keep working on this. But it's hard to argue that we shouldn't do something. We shouldn't do something. We've spent three years since I've been back trying to come up with education reforms in the Revenue Committee. It's not working. We need to have a broader perspective and we need to have people who are stakeholders involved so that they can appreciate the concerns of the school in small town, Nebraska, versus--

WILLIAMS: One minute.

LATHROP: --OPS. That's what-- that's what needs to happen. We're not going to get anywhere. We keep putting these bills in to provide property tax relief and they go nowhere and-- and why it's a good time for it in addition to recognizing the problem is, we are gathering money in these property tax relief funds that will ultimately, I believe, allow us to step back and say, let's repurpose these dollars on a fair formula to pay for public education and we ought to be

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students of the subject, bring people along, get people invested in the outcome and this kind of a commission affords us that opportunity. I fully support what Senator DeBoer is doing. I think it is fair to have concerns about the composition, whether Matt Blomstedt, who I have a great deal of respect for, should share that or not, is a-- is a fair question.

WILLIAMS: Time, Senator.

LATHROP: Thank you.

WILLIAMS: Thank you, Senator Lathrop. Senator Kolterman, you're recognized.

KOLTERMAN: Thank you, Mr. President. Good evening, colleagues again. I wasn't planning on speaking again but Senator Groene kind of riled me a little bit, so I thought I'd get up and say a few more things. I do want to set the record straight. When I said that we had a coalition put together, I didn't make that up. There was a strong coalition put together. I didn't put the coalition together. It was put together by the Omaha Public Schools. It was called the BT Commission, Better Together Coalition, and it was made up of school board members, union members, administrators, community leaders, NSEA, OEA, retired teachers, lawyers, finance people, and I was invited to participate. So to say that we didn't have a coalition is completely inaccurate. One accurate thing that Senator Groene did say, it was my committee and myself that put the bill together. I would agree with that. But isn't that what we're talking about here? We're talking about having a commission that will work together, come up with some ideas and then bring them to-- bring them to the Education Committee or bring them to the Revenue Committee, bring them to the Finance Committee. OEA, Omaha Public Schools did not tell me what to put in the bill. They gave me some suggestions. We tweaked it, we worked back and forth and we came up with a good solution. That's all we're asking for here. But I like what Senator Bostelman said. When are we going to get past this idea we're going to throw mud at each other, we're not ever going to agree with each other, and that's not the way we can accomplish anything. In closing, I just like to remind people this is something my mom used to tell me all the time, you get a heck of a lot more flies with honey than you do by throwing vinegar at them. Thank you very much.

WILLIAMS: Thank you, Senator Kolterman. Senator DeBoer, you're recognized. This is your third opportunity, you will have an opportunity to close.

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DeBOER: Thank you, Mr. President. I just wanted to talk for a second about the makeup of the committee, again, in terms of balance, and I'm certainly willing to change it. No problem there. But I'm looking at-- I think Senator Linehan and I may be counting things differently and I want to get to the bottom of it. There were 16 members on the 88 commission, of which seven represented school districts, nine, if you count the two from higher education. So depending on how you count it, just under or just above half. And on mine, there are 22 members of which eight are from schools and the ESU and a teacher. So six from schools, a teacher and the ESU. And then one more, which is a secondary education with expertise in school finance. So if you count the secondary, that's nine people, nine out of 22, whereas, under the 88 commission it was nine out of 16. So if I'm meant to use the 88 commission as a blueprint, then I actually have more representation by taxpayers. So I'm trying to figure out how to make that work. I'm happy to do it, but I don't-- I don't know what I've-- what I'm missing here. So happy to add more-- happy to do whatever there. Some of the other things that have been brought up, if we need to change it from Blomstedt to someone else as the-- or him or his appointee as the chair of that-- the committee, that's fine. I don't have any ego here on any of this you've seen. I can-- I can change whatever is necessary in order to make this work. Yeah, let's see what other notes. I've written notes in a number of different places. There already is a sunset, I believe the sunset is 2030. If that is not an appropriate time for folks, we can-- we can change that. I mean, ultimately, what I want to do is have the ability to get a group of people together who are required to make a report so that they have to get to a consensus. They have-- they have something they have to do that they need to make a report about in order to get them to-- to try to work together and build a solution. You know, that doesn't happen if you just have people that are in a room talking. If they have to-- to prepare a report, you know, then you get them to work together a little better. Then they have a goal. Then they have something that they have to get to. So that's my idea. And I'm happy to continue to answer questions. Certainly, this is not a situation where I think anyone in the Legislature is going to turn over their discretion, but will be advised by this group as we are in a number of different situations with a number of different groups. In terms of the money, a couple of people have talked about the money. Some have liked it, some have not liked it. I'm happy to do whichever way there, as well. So if folks want to spend a little more money and do a-- a dedicated consultant study, I'm-- I'm open to the discussion for that. I did not initially think that that was going to be the best use, so I didn't put it in, but I certainly could. And if the-- the money that the-- the

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department put in in order to make sure that they had the ability to assist with staffing needs, we can find a way to work that out as well. So, you know, literally everything is open here. We're having a conversation about having a conversation, and that's fine. I think that's important. And I think that the-- the--

WILLIAMS: One minute.

DeBOER: --discussion we're having right now is very good and productive as we're trying to think through how to best set up these folks for success so that what they can do is come to consensus and advise us where we still have to agree with that consensus or disagree with that consensus. And, you know, the best way to-- to make this productive is to have it be completely representative and representing all the interests. Thank you, Mr. President.

WILLIAMS: Thank you, Senator DeBoer. Senator Groene, you're recognized.

GROENE: Thank you. I don't use honey, I use fax. Honey tends people to lie and mislead and trap people. All you have to do is look at who testified for this, National-- Nebraska Council of School Administrators, National Association of School Boards, Nebraska-- excuse me, Nebraska State Education Association and STANCE, then some farm groups who are paying very high property taxes because they were nice in the past with this group. The OpenSky Policy, Susie Buffett's group, Center for Rural Affairs, a very liberal organization, Jack Moles, National Rural Community Schools Association, and GNSA, education establishment. That's who's for this bill. They're the same ones that helped defeat LB408, LB454, LB1106, all of Senator Briese's bills. By the way, the sponsor of this bill has voted against every single property tax issue except maybe the-- the-- and the chairman of the Education Committee has done the same thing who brought this bill out. Is that honey? So you really think rural Senators, that you're going to get something out of here that is good for property taxes? That group that Senator Linehan mentioned earlier, and then there are a lot of members of those in this commission, more than half. Here's one of their goals, school funding, restore public education funding that was recently cut by lawmakers and increase allocated income tax reimbursements for public schools, provide additional budget and tax levy authority for school districts, and increase state aid funding for educational service units core services, conduct comprehensive collaborative review of state public school financing. They want to turn schools into early childhood. They want to raise them cradle to grave, student nutrition more, special education, more funding,

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behavior and mental health. They want to turn them into mental institutions. Now, you really think with the majority of the individuals on this committee who are also members of this group are going to come out with property tax reform? You believe that? With term limits, you're going to have new people coming in and they're going to be told this commission, by golly, they sit right on the right hand of God. They know what they were doing. They're experts and they worked hard and they came up with these recommendations. And they're the experts, they've studied it. So let's just rubber stamp this. You're going to get more spending, more control over your children, less parental control and higher property taxes. That's what you will get, period. Look at the groups who want this bill passed and look at the groups who have fought every single property tax relief related to local property taxes for education, and they fought all the increase of state funding. That was in LB1106, 500 and some million dollars because it was only half of what they wanted. Provide additional budget and tax levy authority for school districts and increase state aid funding. Right here, if you want to see what they're going to come out with, it's right here. It's the goals of the education collaboration.

WILLIAMS: One minute

GROENE: This body has to finally make a decision. I guess they don't. People of Nebraska, you need to make a decision with-- next election cycle who you elect. You need to get to 33, period. If you want property tax relief, or you need to do a petition drive and pass it, because in our state, the education establishment has way too much control over way too many Senators who jump when they speak. It's a fact of life and it only takes 17, only takes 17. So this is a bad idea. I'm going to fight it as long as I can, and this body better fess up and do its job or I'll just pay my property taxes because what I see from this, it's going to be worse. Thank you.

WILLIAMS: Thank you, Senator Groene. Senator Clements, you're recognized.

CLEMENTS: Thank you, Mr. President. I see this is another study committee that I don't support. I-- I preferred the consumption tax as an answer. And that's gone. I preferred last year, LB1106. I thought that was a good bill to address funding at the school level. And it was blocked, I believe, by the education lobby, because it has spending limits. And Senator Linehan listed the lobbyists representing schools and they're paid by taxpayers own dollars. I think they are well-represented now. TEEOSA would-- affects all schools very

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differently. And I think an agreement to satisfy all of them on a new proposal is going to be very unlikely. For that, I would like to yield my time to Senator Linehan.

WILLIAMS: Senator Linehan, you're yielded 3:54.

LINEHAN: Thank you, Senator Clements. Would Senator DeBoer yield to some questions, please?

WILLIAMS: Senator DeBoer, would you yield?

DeBOER: Absolutely.

LINEHAN: So, Senator DeBoer, have you talked to all these groups that we mentioned already tonight about this study? Did you meet with the Nebraska Council school administrators?

DeBOER: I have met with them in the past.

LINEHAN: Nebraska Association of School Boards?

DeBOER: I have met with them.

LINEHAN: Nebraska State Education Association?

DeBOER: I have-- oh, not this year, but I have in the past.

LINEHAN: STANCE? We-- so most-- these groups are all supporting your bill, are they not?

DeBOER: Yes, sure.

LINEHAN: Did you meet with any of the private schools?

DeBOER: I have talked to the Catholic Conference who has someone on there that talked to me about things, but I haven't met with any specific Catholic schools.

LINEHAN: Did they ask to be part of this study?

DeBOER: They did.

LINEHAN: Was there a reason you didn't include them? I mean, they do educate 10 percent of kids in the state.

DeBOER: Yeah, I mean, one of the reasons was because TEEOSA doesn't cover them. So it seemed to me that if we were studying the state

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funding, that we should study those pieces of the state funding that were actually covered.

LINEHAN: But isn't one of the-- one of the lines here is, examine financing issues related to the quality and performance of K-12 schools. It's in the committee statement, top of the page 3.

DeBOER: I mean-- the quality. Sorry, show me again, sorry.

LINEHAN: It's (d) on the top and I might have the wrong committee statement.

DeBOER: Yeah, I might have a different because I don't see that, but read it for me and I'll I'll take it in.

LINEHAN: OK. It's under Section 2 (d), examine financing issues related to the quality and performance of K-12 schools.

DeBOER: It's says-- I see it now. Performance of public elementary and secondary schools.

LINEHAN: Oh, it's only public schools?

DeBOER: Well, that's what it says under (d). Examine financing issues as they relate to the quality and performance of public elementary and secondary schools.

LINEHAN: OK, well, in my copy public must have got added later because in my copy, which might be old, I don't know when it was printed, it just says schools. But you do agree that 10 percent of the kids in the state are educated in private schools?

DeBOER: Actually, I will trust your expertise on that. I don't know the number.

LINEHAN: So this is a point I was making-- trying to make earlier when GNSA says they have 75 or 70 percent of the kids. They don't even evidently consider the private kids as part of the population, because if you take that population into account, they have 62 percent of the children. I-- I-- I can't-- if we're going to talk about education at-large and not only just about financing, but here on your issues you have-- which we're going to talk about poverty and limited English, we're going to talk about college readiness--

WILLIAMS: One minute.

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LINEHAN: --career readiness. We're going to talk about expanded public pre-garden services. I think the private schools are involved in all of that, are they not?

DeBOER: I mean, I'm sure that they have similar issues to public schools in terms of quality and concerns like that.

LINEHAN: So, again, why was the reason that you didn't think they needed to be included?

DeBOER: Well, I think because it's not part of the-- the school finance that the state does. I mean, so I was interested in the school finance that the state does and having a conversation about that. But honestly, there's at-large positions, somebody could be appointed.

LINEHAN: Thank you, Senator DeBoer. Thank you, Mr. President.

DeBOER: Thank you, Senator Linehan, DeBoer, and Senator Clements. Senator Wayne, you're recognized.

WAYNE: Thank you, Mr. President, and colleagues. So TEEOSA is kind of familiar with it. I'm naturally-- I'm going to kind of sit out on this bill first round. I'm not going to speak a whole lot, but I'm naturally against LR's, against commissions and you can ask my legal counsel. I-- we go back and forth about LR's in our committee. I just-- people don't show up until a bill is dropped. That's just what I've learned in the four years and actually before that. And here's why I say, particularly about TEEOSA. When I was on the school board and I was president, chairman, Chairwoman Kate Sullivan did a visiting tour and they were going to revamp and do a whole new concept around funding and what K-12 education is supposed to look like. I believe Senator Lathrop was down here at the time and nothing came from that. Nothing came from it, because it's complicated. Right? That's the problem. It's complicated and until we force ourselves in this body to do something, we don't do it because it's complicated. There have been multiple studies, multiple LR's on this. And part of my concern is that if we're going to do a study on it, if they're going to commission chairman, Chairwoman Walz can bring anybody she wants into a LR and have the same commission without this. That's part of my concern because I wouldn't want my-- my jurisdiction of my committee to be undercut by a committee outside of what we do. Generally speaking, that's how I feel. My concern also is when I look at the makeup of the school district, of this committee, there is no guarantee that folks like me are going to be on this committee. It can't be rolled into legislation because we have an affirmative action band. But that's a

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big concern for me, especially when the growing race is Hispanic and black and brown students. But that can't be written into law so I'm concerned about that. But my bigger concern and Senator DeBoer knows this is, our Constitution is pretty specific of who we're supposed to provide education for. Five year olds to 21 year olds, but our K-12 system doesn't do that, and how we get around the 18 to 21 year olds is by saying community colleges are not public schools in the common. Here's my problem with that. Over the last 20 years, this body decided to decrease funding overall. I understand we've always increased it three, but when there were major cuts before we got here, colleagues, we decreased it to a point where OPS had to sue and other-- other school districts had a-- Title 1 schools had to-- districts had to sue. And there was a big lawsuit and it was settled and more dollars were thrown into TEEOSA. But my concern is, as we decreased during that time, we took out most of our trade unions, our trade learning ability. We took out home ec. We took out all the things that we actually need to survive. A person can be a plumber right now and make a lot more money than most attorneys right now in Omaha, to be quite honest. But they have to go to a community college. And here's the other dirty secret about what goes on in community colleges. We pay for that, right? They take out Pell Grants, but 40 percent of the kids that go to community colleges have to retake classes their first year, some of them up to a year and a half. So they're taking zero level courses and the reason they're having such a hard time retention is because that kid thinks he's in college or she's in college, and after a year and a half, they find out, no, I'm just starting college because K-12 didn't educate them enough to prepare them. So we're paying for it twice. So my point in saying that is if we're going to look at K-12 funding, it needs to be broader than K-12. It needs to be what our constitutional obligation is, which is 5 through 21 and so we have to add the community college to that because we're paying for it twice. I don't know what that does to this committee.

WILLIAMS: One minute.

WAYNE: I've had that conversation. I'm not trying to blow up the bill, but if we leave out community college, we are doing a disservice to many of the kids who go to community college and have to retake math because they didn't learn it in K-12, have to retake basic English and not only do we pay for it, they lose their Pell Grants because they have to pay for it again out of their Pell Grants. So by the time they really start college, they have no money that the government set aside for them to actually pursue their dreams. So we're not doing anything, in my opinion, solving the problem. We're still leaving the system broken. Not saying I'm for or against it. I generally don't like

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commissions so that tells you kind of where I'm leading. But there's no representation to ensure that people like me look on this committee. And secondly, we're not dealing with the broader issue of re-educating our kids for the people who have failed through K-12 and they go to the community college and we're paying for it again out of our state budget. So it needs to be broader and that's probably going to make this commission 51 people and it's probably unworkable. That's kind of how I feel. Thank you.

WILLIAMS: Thank you. Senator Wayne. Senator Walz, you're recognized.

WALZ: Thank you, Mr. President. I'm not sure if I should wear the glasses or not wear the glasses, what works best? I rise in full support of LB132. Not to say I agree wholeheartedly with Senator Koltermann when he said, we have had discussion after discussion after discussion on school financing and our heavy reliance on property tax. And we continue to have discussion after discussion and much division regarding what's the answer to the problem. And Senator Bostelman, you are correct. I don't see an answer in the future. This issue, colleagues, has a lot to do with trust. The bottom line is that we don't have trust. We point fingers, we degrade, we fight with each other, and we do not get anywhere because we lack trust. One of the things I like about this idea the most is that it does bring a group of people together, people who come from different backgrounds, people who have unique talents, hopefully, a more diverse group of people that can objectively look at the issue on how we fund our schools and make recommendations. In 1988 a school financing review committee was created with the goals of examining the option of using income to finance schools, examining finance methods to offer alternatives to heavy reliance on property tax, to study how finance relates to the quality and the performance of schools, and last, to prepare a report with recommendations and a plan. They held 21 meetings and they had five hearings across the state. Roughly a year later, a year later, the commission brought forth their final recommendation to the Legislature that included a 20 percent tax allocation. Many, many meetings, a lot of hard work and consideration, but a year later, we had answers. We had a recommendation and we had a plan. TEEOSA has been in place for 30 years, around 30 years, a plan that has changed and been tweaked throughout the years. And I have just a little, uh, currently this is how much it's been tweaked just in the last few years. One hundred and sixty out of 244 public school districts do not receive equalization aid. In 2008 and 2009, at least 115 of those 160 were receiving equalization aid. We have made a lot of changes. I have to wonder, had this commission been in place, would we be in the position that we are in today? Colleagues, I truly believe it's time

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to pass this bill, create a commission and allow this commission to look objectively at the issue, to do an in-depth study, to make recommendations and give us as legislators an opportunity to make decisions based on those recommendations. We're not required to adhere to the recommendations. It is still our decision.

WILLIAMS: One minute.

WALZ: I don't think the answer should only rest on our shoulders. Senator Linehan is right, there are a lot of influential groups that we communicate with on a daily basis, and I really don't see that happening with a commission. I think that we will see members who will be able to think objectively. They are not in regular communication with us or with the groups, influential groups. I think we need to explore the school finance reform and hopefully see that it will provide a stable and growing support base for public schools to assure equitable educational opportunities for every single student and to reduce our overreliance on property taxes for school support. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Walz. Senator Linehan, you're recognized and this is your third opportunity.

LINEHAN: Thank you, Mr. President. I just shared with Senator DeBoer the Nebraska education collaboration's, off their website, so if she's had time to look at it, can have a discussion about it. So in the back page, page 2, under school funding, what-- too many students face, real growing opportunity gap. We must address this and provide high quality education for all students. Low state funding for K-12 education also forces our schools to rely heavily on local property taxes. So the first bullet point is to restore public education funding that was recently cut by lawmakers. Do you recall that we recently cut any education funding?

WILLIAMS: Senator DeBoer, would you yield?

LINEHAN: Senator DeBoer, do you recall that we recently cut?

DeBOER: I would yield. I-- I don't know what recently would refer to here, you're right. I don't know what recently would refer to.

LINEHAN: Do you remember cutting education funding since you've been here?

DeBOER: I don't think so. I think this is over time,

LINEHAN: Well it says recently,

DeBOER: Yeah, I don't know--

LINEHAN: Four years is probably--

DeBOER: I don't know why.

LINEHAN: Increase allocated-- it also says we should increase allocated income tax re-- reimbursements for public schools. You and I discussed that a lot. It doesn't work, does it?

DeBOER: No, I actually agree with you on that one very much. I-- I thought allocated-- I thought allocated income tax at first I thought that was a good idea, but I don't think it is now

LINEHAN: Provide additional-- this is the one that kind of knocks me over. And I know there's not many people on the floor, so I hope someone's listening somewhere. Provide additional budget and tax levy authority for school districts. So what is-- am I understanding this right? They're asking for a higher tax levy than they currently have, right?

DeBOER: That certainly looks like it, though I wouldn't-- I wouldn't agree with that.

LINEHAN: OK, but does it make you-- OK, thank you, Senator DeBoer. It makes me very, very nervous that the people that support the bill that's in front of us, this is their wish list. They think somehow we cut funding recently, which we have not, we've increased funding. They think that increasing the allocated income somehow helps and all it does is make the rich richer. Provide additional budget and tax levy authority for school districts. OK, like I said, the first time I get up to the mike, here is what the schools are not going-- I don't care if we have a commission and LR, we have 100 meetings, they're not wanting to give up their taxing authority, property tax authority. We have to decide as a body if we're willing to say you're not going to depend on property taxes anymore because they are not this commission and LR, 100 meetings with 244 school districts, they are not going to change their mind about giving up their property tax funding. We had LB1106 last year, Senator Groene's mentioned it, it was \$550 million on the table. They refused to take it because we were lowering the valuations and if we lowered the valuations, they had to give up property tax funding and they were very clear, we'd rather keep the property taxes. And it's the same people-- and Senator Walz saying that this commission will be separated and I'm sure that Senator Walz

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believes that and I appreciate her--. There is no way I believe that if you have a commission of 20 people, that all of these groups won't be in touch with them on a regular daily basis. That's what they do. And they're very, very good at it.

WILLIAMS: One minute.

LINEHAN: So if we think we're going to find 22 people, unless we're going to lock them away in a cave, they're going to be influenced. And they're going to be influenced by the same people that came here two weeks ago and said we couldn't pass LB408. Now, remember, LB408 was 3 percent growth plus real growth, statewide average 4 percent growth every year in your property tax taking and it was not acceptable. Same people that want this bill. So we-- we're like not putting all the pieces of the chain together, if we think we're going to have a group that is from education lobby, sit down at a commission and they're going to say, uh, take our property taxes away and-- and then we had the other side of the coin, the thing that nobody liked about LB1106, and you can all certainly remember this because we all heard it, there's no new revenue source.

WILLIAMS: Time, Senator. Thank you. Senator Linehan and Senator DeBoer. Senator Lowe, you're recognized

LOWE: Thank you, most-high President of the Legislature, Williams. I yield my time to Senator Groene.

WILLIAMS: Senator Groene, you're yielded 4:50.

GROENE: Thank you for the surprise, Senator Lowe. I'll pick up where Senator Linehan talked about influence from these groups. I went to one conference in the seven years I've been here. I've never taken any legislative Exec Committee pay to go to conferences. I happened to be on a business trip in Denver, so they had one of these conferences and I went to it. I sat at a table of education chairman. I asked them about administrators. They said, what do you mean administrators? I said, how influential are they in your state? And they said, they aren't. They're government employees. We deal with school board members. We have a two-house. I said, you don't have hearings on every bill? No. I said, so you don't have these individuals in their lobby coming in influencing every bill? No. I said, how do you make decisions? They looked at me and said, we're elected officials, we make those decisions. All those administrators that are on this commission are members of the administrators association. They will be told what to do and they will consult with their membership. The

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member that's a teacher will be highly picked. I know the Governor appoints, but the one that will come forward will be-- will be a local member and probably a head of a local teacher's union. School board, they're told what to do. That was another thing that just shocked me when I went to one of their regional meetings. They took these school board members up there like third graders and gave them gold stars because they went through-- they had attended eight reeducation conferences about education, put on by former administrators. It just shocked me. I'm sorry, but the establishment is well-entrenched in our public education of our children. This commission is just another step in that direction. Now, if you think you're going to get property tax relief out of this or fair funding or accountability on the spending, guess again. You will get more spending. You will get recommendations because they're very good at hiding behind children to get more money. I discovered that. Now, don't get me wrong, there's a lot of administrators that are friends of mine that I've met through this session that do their job, are fiscally minded, but the leadership is not. The same with the teachers, 80 percent of them just want to make a living, go home, but their leadership is not. They want more money and they are the ones that will be involved and they will be the ones on this commission. That's reality. The facts are all there. They've fought and fought any attempt at property tax relief or control of what we spend our property taxes on, which 60 to 70 percent is education. As one of them told me one time, why would I trust the Legislature to fund education when I've got the taxpayer by the neck and I'm holding them up against the courthouse, the property taxpayer, and if he doesn't pay, we take his farm from him? That's exactly what he said. And he laughed. That is what you're up against. And you're going to forfeit how we fund our schools and how we spend 60 to 70 percent of our property taxes to people who make a living at it, off of it. That is what you're doing.

WILLIAMS: One minute.

GROENE: I see the Omaha Public Schools testified against this. I understand why. They don't want to mess with, even though if some-- if they ever woke up and realized who really gets the money and it isn't the poor kids in Omaha percentagewise. It's the urban schools that have the wealth and the lobbyist. Am I being too blunt about the reality of public education in this state? No, I'm not. It is a government entity, it has no soul, it exists at the pleasure of the taxpayers and the citizens, and that's the way we should look at it. What do we want it to do, not what the in-crowd establishment wants to do. This commission puts it in the hands of the establishment, puts the fox in charge of the chicken coop, and they don't even have to put

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any honey in there to get that fox in there. All you gotta do is dangle a lot of property taxes in front of them.

WILLIAMS: Time, Senator. Thank you, Senator Groene. You are next in the queue, you may continue, and this is your third opportunity.

GROENE: I wouldn't call it an opportunity at this time of night, but thank you, Senator Williams. No, I could go down the list of who's on this committee, a representative of the Governor. All right. The way political winds are going and the election is Lincoln, I doubt very much the next Governor is going to be somebody who I'd want to appoint in anything. The property tax administrator or designee, they could give some information about how many dollars and numbers are collected, but that's all they would know. A representative post-secondary education for-- with expertise in school finance. I mentioned the Tax Modernization Commission that was led by Hadley-- Hadley and Sullivan, the two committee chairs. I testified in front of that when they came through North Platte. You need to get ahold of that, that study results. If we just took that and everybody read it over the interim, we would have an answer to property tax relief. They did a wonderful job, but the establishment didn't like it so nothing happened. Get ahold of Senator Hadley. He'd tell you what happened to him. Then my first two years on the Education Committee, Senator Sullivan, Chair, put together a joint revenue education study. And why I say this, I don't mean to be redundant, she tried to find a representative of post-secondary education with expertise in school finance. She found somebody that agreed if we paid their expenses to come down from Wisconsin. So, I don't know what research or who we're talking about here, but I don't think there's anybody in Nebraska. Well, I guess if you're fifty miles from home we could-- we could get somebody from the Buffett Institute to come down and claim they know something. A member of the Education Service Unit Coordinating Council. Now, who is that? Is that one of the appointees of the-- of the-- by the Governor that's on that board or who is that? A school board member from a Class 3, a school board member, a school administrator. I have an amendment I dropped to take out the foxes a little bit out of this group. School board member, member who had a teaching certificate, like I said earlier, I would not have any idea how that person would have any more to do with the management of a school or how it's funding than being a normal taxpayer. At-large-- at-large member, number-- finally, we get to number 17 at-large member with experience in business. How about with experience paying a lot of taxes in the free market system on their business. 18 at-large members with experience in farming. I know some hired hands that might be able to go down there and testify. At-large member, at-large member,

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at-large member, at-large member. You put a big crowd of these folks in a room and who dominates the conversation? The guy with the Ph.D. who's been trained how to handle a school board and how to befriend them, take them golfing, so pretty soon they're just-- do it rubber stamp whatever the administrator says. I've seen that. This will get you nowhere. Agriculture, rural Nebraska, people care about kids, this will get you nowhere but more taxes and less accountability to education because their excuse is, why did Johnny fail? We need more money. Why did Suzy drop out? We need more money. I've heard it over the years over and over and over again. And that's what you will get. We need more money. Remember the section that said, as I pointed out, examine other issues related to public elementary and secondary school finance and-- and as necessary--

WILLIAMS: One minute.

GROENE: --as determined by the chairperson. Did you say one minute, sir?

WILLIAMS: Yes, Senator.

GROENE: Thank you, Senator Williams. This is a blank checkbook to come back and scream and yell that kids are failing because we need more money. Got to start getting them into school at two years of age. Got to keep them there. Some of these parents are bad influences on these kids. We got to break that bond. We've got to train them up, how to be good socialist. Am I getting too conservative? I don't think I am. Thank you, Senator Williams.

WILLIAMS: Thank you, Senator Groene. Senator Erdman, you're recognized.

ERDMAN: Thank you, Mr. President, and good evening. I've looked at this bill a bit last week, and then I seen the amendments going to add more people. My first impression, there were too many when it started first and now there's 22. That is unmanageable. Nothing will be accomplished by about 15 or 16 of these people, there will be four or five that will run the meeting and the rest of them will be observers. I have been involved in numerous boards and some of this size, and until we broke up into smaller committees, we accomplished squat. OK? So this committee that's going to be formed, this commission, has almost all the representatives that are going to have any authority to make a decision, all have things that they're involved with in education. This is about funding for schools. This is not about what schools funding should be. And I'm not sure why we'd want to put the

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fox in charge of the henhouse. And so this-- this commission, if they want someone to look at what should be-- how the taxes should be collected and how schools should be funded, put some people on this committee who understand finance, put some people on this committee who understand taxes and the-- the regressive taxes that we currently have. I don't see any of those people on there. I don't see any bankers on there. This-- this commission, I think, as Senator Wayne alluded to, will probably accomplish absolutely nothing. Senator Groene made some comment about our current education system. And when Art Laffer did his study on Nebraska about property tax and income tax, he did an analysis of our Education Department and the analysis was done on 4th-grade reading and 8th-grade math and the 11 states that they reviewed, Nebraska is in the bottom third in 4th-grade reading and the 11 states they're the second or third from the bottom in 8th-grade math. So when I was on the Education Committee, we had asked the Superintendent of Omaha Public Schools what the answer was to fix their schools that couldn't read in third grade and he said more money. So obviously, when Nebraska spends more money on public education than any of these 11 states and our results don't improve, I'm not sure that this commission is going to be able to solve the problem that we have in education with kids not learning as they should. This is a commission that needs to be revamped if it's going to move forward and we need to remove most of those people that are involved in education, maybe one or two of them to tell us what they think, but the rest of those people should be private sector people who understand taxes. I'm not in favor of the way it is. If they want to adjust this to back to seven, eight, nine people and make most of those people somebody that knows something about finances, I would be in favor of it, but the way it is, this is set up to get more money for education, and I'm not in favor of doing that. Thank you.

WILLIAMS: Thank you. Senator Erdman. Senator Walz, you're recognized.

WALZ: Thank you, Mr. President. I was going to ask Senator Linehan a question, but I don't see her on-- oh, there she is. Here she is.

WILLIAMS: Senator Linehan, would you yield?

LINEHAN: Yes, I would.

WALZ: Thank you, Senator Linehan. I-- I-- I just want to know what the alternatives are to the commission. Like what-- what other alternatives do we have?

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LINEHAN: Well, I think if you-- this would be one thought I had here and actually I think it might have been Senator Moser's thought that we could have a joint committee from three from Revenue, three from Education and three from Appropriations. And we could get all these same people that are going to be in the commission in the room. And we could work together and we, those three committees, could come up with what we feel are solutions. And I think it would even be better because those nine people or, I don't know, 10 people, eight people, whatever, they have some idea of the politics of this. And I don't think to said even if you could put 20 people or 19 people in a room and keep all the lobbyists away from them, you can't fix this and be divorced from the political realities of the Legislature and of our body. We've got urban, we got rural, we have NRCSA, STANCE and GNSA and I think if you have no idea how that-- how that all works, I don't think you can come up with real solutions that are actually to get across the finish line. The other thing I worry about on this, and Senator DeBoer had mentioned that these people would-- this commission would stay in place. I think she said till 2030. We'll have a commission that's more powerful than the Legislature, because by then, none of us that created this will be here. And that commission will be explaining to the rest of the new Senators how the thing works.

WALZ: Senator Linehan, thank you, first of all for that. I think that there was a TEEOSA study done in 2018, if I remember right.

LINEHAN: There was.

WALZ: And who was all on that committee? Do you-- do you remember what--

LINEHAN: I remember-- I was there. My mom was sick that summer, so I was not as engaged. I mean, I actually remember I had to leave one day because-- anyway, Senator Groene had called it. It was everybody-- I don't remember, I know Justin Wayne was-- excuse me, Senator Wayne. It was everyone who had introduced a bill addressing TEEOSA the previous year, because if I-- he'd be better at answering this, but if I recall correctly, he thought he would pull people-- people together that actually had shown an interest in studying and working with TEEOSA, so it was everybody--

WALZ: OK.

LINEHAN: I think Senator Briese was on there.

WALZ: OK. What-- what came out of that?

LINEHAN: LB1106, LB974.

WALZ: And was it passed?

LINEHAN: No, well, because as I've said repeatedly tonight, the school districts are not willing to give up their property tax funding. And they-- we lost NRCSA. the smaller schools when they became convinced by, I think, the bigger schools that there was no new revenue source, so since we weren't going to raise taxes, there wouldn't be the money there.

WALZ: OK. I guess my point to all of this is that we have tried many times. We have put together TEEOSA study. We still haven't had any results and I-- I guess from my point of view, I just don't see any harm in putting together a commission that, you know, has an objective, diverse group of people to talk about the issues to make recommendations.

WILLIAMS: One minute.

WALZ: I also just want to talk to Senator Stinner really quick. I know that there was a question Senator Linehan had to--

WILLIAMS: Senator Stinner, would you yield?

STINNER: Yes, I will.

WALZ: There was a question asked about have we cut-- ever cut TEEOSA? And it sounds to me like in 2019 we did fully fund TEEOSA, but we changed the formula enable to be-- to be able to do that. Can you explain that a little bit, just so we're all clear on--

STINNER: Yeah, a lot of times in tight budget years, we're working down through the numbers in appropriation and we come up with a shortfall. And I think the one that you're alluding to was about \$24 million. So I went to Senator Groene and we made some adjustments on the TEEOSA formula, which reduced the amount of TEEOSA, but it was a tweak to the formula that that caused-- that resulted in the 24 million--

WILLIAMS: Time, Senator.

STINNER: --being available.

WILLIAMS: Thank you, Senator Walz, Stinner and Linehan. Senator Halloran, you're recognized.

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HALLORAN: Thank you, Mr. President. Good evening, colleagues. Once again, good conversation. Maybe we should end up not trying to be too cynical here, but maybe we should call this commission the Commission of Dreamer's. Its intentions are very good, there's no question about the intention. I think Senator DeBoer means very well and her heart is in it, obviously, but essentially what we're doing here is the result of lacking-- of having a true second house. We call the second house-- we call the public out there, the voters, the second house. And with all due respect, they should be treated more like a second house. They should be treated like a second house, but we disregard them on many occasions. We disregarded them earlier today when we proposed the idea of-- propose an idea of giving it to the voters the opportunity to vote on a concept. And that's what this commission is really being charged with doing, is coming up with a new concept. And we'll-- we'll trust this commission, but we didn't trust the voters. That's unfortunate. But again, we're a one house system, we're a Unicameral, we pride ourselves on that. If, in fact, we had a true second house over there across the Rotunda, we would have that kind of balance that we need. We would have geographic balance and not just population determined. So here we are, trying to do something by committee. One of my favorite expressions is a camel is a horse designed by a committee; variation is a Volvo, is a Porsche designed by a committee. Some of the best product advice I've ever heard goes something like, damn what the user wants, charge towards your dream. All these statements, of course, are saying the same thing, when there are too many cooks in the kitchen, all you get is a mess. And when too many people have product input, you've got lots of features, but no soul. So I don't have any really good suggestions, so it's-- it's unfair for me to be so critical, but Senator Wayne made a good point. There's been a lot of good points made. Senator Wayne made a point that possibly we should be talking more about quality of education in conjunction with how we pay for it. When Senator Wayne points out that we send kids out of high school in the first year and a half of school, whether it's vocational or college, they have to be tutored on what they should have learned in high school. That's a failure. That's not a funding issue. It's not a lack of money, although educators would suggest that that's the case. I agree with the comments about letting the fox watch the chicken house. It's interesting after recent votes, I think it was on LB364. At the end of the day, I was going back to the apartment and I saw a Senator walking into the NSCA headquarters over here. Now, I have no idea why he was going in there, who he was going to meet with, but it struck me as kind of odd that that Senator was going into the teachers union headquarters after that Senator voted against opportunity scholarship bill. Was there a reward

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on the end of that conversation when he went in there? I have no idea--

WILLIAMS: One minute.

HALLORAN: --but it indicates to me that those are the players, as has been suggested. Those are the players that are going to dominate this commission no matter what. I agree the commission size is too large and it should be an odd number so we don't have ties like we have in some of our committees. But at this juncture, I can't support LB132. I'll look at the amendments, but until we find an amendment that fixes some problems, I will be opposed to LB132. Thank you.

WILLIAMS: Thank you, Senator Halloran. Senator Wayne, you're recognized.

WAYNE: Thank you, Mr. President. I'm not going to talk about the bill a little bit. I'm still listening and listening to everybody, but I just want to point out some things that I've seen over the years that kind of just frustrates me a little bit and so I thought I would share with you that. So to say that we don't give public funds to private schools is a misnomer. We actually do on food and some other things, but that's what we do. But some of the people at the table-- what concerns me is some of the people at the table here also endorsed a consultant to come to not just Omaha, but to the state of Nebraska, who was being paid \$4,000 per day to help struggling schools. I can't understand that at all. What-- what the real problem about TEEOSA and why people-- well, I mean, yes, there's some truth about they want to have the freedom to raise levies without going to a vote of the people. But what the real reason of TEEOSA and the real concern is TEEOSA from every school's perspective, every school district's perspective, there is a lack of trust from school districts to this body. And when we sat in the room, and I was in the room, that's what it boils down to, to the reason they like property taxes is because property taxes are consistent. They can bank on a three year, 3-- 3 percent average going up, although it's went up in some areas, a lot more than that. But they can budget and they can project. The problem with relying on state aid is we change it. We sometimes expect-- we change it 23, 24 out of 27 years, that's a problem. So it's the stability factor. That's what they say, it's the stability factor. And I get that to a certain extent. But what's interesting is, when we had all these talks about property taxes and changing and maybe trying to figure out how to solve this solution, most of the rooms I was in, all the education people were there and we still couldn't get to some basic caps. And what's interesting to me about caps is we already have

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caps. So the idea of caps have been around in this body forever. I mean, we have a dollar five in Omaha and you're at a cap. If you want to go over that to do a bond, you go vote. If you want to do an override for more operational, like Millard, you go to a vote. But the idea of lowering the cap to offset what we're going to give them additional money to is a problem. That's the part I'm kind of lost in the-- in this whole conversation because they can still go to a vote of the people. And I go back to when we did our bond. We did our bond, it was-- it came out to be first bond we were going to do with 800 million and we did-- we looked at that and thought that isn't going to work. So we went for 421, 422 and everybody thought there was no way we would have-- we would be able to sell that. No way we could sell that type of tax increase. But it was real simple, you take pictures of schools that haven't been updated since 1950, you show that you have more portables at some schools than classrooms on the inside. People actually vote for it. So that's where the disconnect is to me, because while people sit in Lincoln--

WILLIAMS: One minute.

WAYNE: --or lobbyists and they think from a glass room-- or glass office that we can't do this, this is going to hurt education, that's just not true. We passed the largest bond in the state history of 422-- overwhelmingly passed, like, oh, like-- like I should have consulted on every bond after this-- it passed so well and we didn't do nothing but just said, here's our needs and the public generally responds. So I can't figure out this cap conversation that keeps derailing anything. But I'm fearful that that conversation will never happen when many people on this commission support \$4,000 a day for an expert to tell me how to help kids read-- \$4,000 a day. And Senator McKinney is in my district. I'm sure we could find something to do with \$4,000 a day that will fundamentally--

WILLIAMS: Time, Senator.

WAYNE: --change our community. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Wayne. Senator Albrecht, you're recognized.

ALBRECHT: Thank you. I feel like I should yield my time to Senator Wayne, but I won't just yet. You know when I think of that TEEOSA and how it all came about, I was sitting on the Sarpy County Board of Commissioners at the time, and how important it was to-- to pull in the Sarpy County, The Golden Goose, because we had such a phenomenal

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amount of population coming into our area that they just needed to tie that in so that they could continue on with their great plan. Now, this commission that they had way back when, is that how TEEOSA was founded, because those people thought we had to have that, or was it one Senator that convinced 33 other people that TEEOSA funding would be the answer? You know what, times change, things change, but we are here for the 60 and 90 days and studying throughout the-- the interim, what needs to take place. Again if we have Appropriations, the Education and Revenue Committee that wants to say that, yes, we are going to try to help figure this out and be able to-- to-- to bring on 33 state Senators that feel the same way, then raise your hand and let's-- let's get busy and get this done. I nominate Senator Flood. He's the-- the-- the dealmaker on the floor this year. I mean, he seems to be able to work both sides very, very well and-- and I say that out of respect. He's-- he's coming in to try to get the job done. I'm not-- I'm not trying to boo-hoo and rain on this parade. I'm just saying it's our job as state Senators to handle this, for all of us to figure it out. You know, I don't know a lot of what goes on in Judiciary. I might go before them a couple of different times, but I don't know the depth of what they do. I do know now in Revenue the depth of what happens when-- when you guys talk about a trust issue. Yeah, there is a trust issue. It's on both sides. When I first became a state Senator, my superintendent said, well, you know what, we just don't have anybody down in Lincoln fighting for us. And boy, have I figured that that was a misstatement. I mean, they absolutely have the hammer on all the schools in my district, whether they say something or not, whether the school boards get to ask questions or not, I mean, there's so much going on here that we as a body set policy. We as a body decide how and when we spend our money and who-- who it goes to and why. You know what? We need checks and balances here, just like we do in every one of our committees, but if Appropriations, Education and Revenue can't figure out with a team of people to bring everyone in, whoever you want, we don't need to spend any money, we just need to listen and work the deal. Just like we have with LB1107. I mean, Imagine Nebraska, boy, we came to a sunset and it had to be done. We had to go behind closed doors and-- and just beat it out before it came on the floor and that's just what you were going to do. But we need to take that same enthusiasm and get this done because something is dreadfully wrong. And we-- I mean, you can sit in Revenue and say, oh, gosh, I do see that there's a problem and we do need to try to work it out. But we're not doing it, we're not getting it done. Nobody wants to talk about it. We want to-- we want to filibuster this until you get-- you've got to get your numbers. I mean, we're going to do

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this on every bill between now and the end of the-- the session that we have here today--

WILLIAMS: One minute.

ALBRECHT: --that we're in. I just think that it, again, it's our responsibility. The state Senators on this floor, 33 of us need to care enough about doing something about this or it's not going to work. You can take the recommendation. You can bring it back and say, oh, this is so wonderful, 22 people that know-- knew nothing about this and we've been here a long time to try to learn what we need to know about it and we're still not there. But we're going to take that recommendation and you're going to find 33 people. Good luck. There's so much politics involved in this with so many people, but again, you can talk about trust on both sides. It's not there. I'm not-- I'm not interested in watching other people decide for us what we should know. We need to be digging in ourselves and getting the job done. Thank you.

WILLIAMS: Thank you, Senator Albrecht. Senator Geist, you're recognized.

GEIST: Thank you, Mr. President. I was on that TEEOSA Committee. I'm not-- I don't recall at this time exactly why. Certainly not my usual area of expertise. I did-- I do remember a lot of that and came away with a-- a good understanding of what we did and-- and a healthy respect for people who have to work with that all the time. And with that, I will give the rest of my time to Senator Linehan.

WILLIAMS: Senator Linehan, you're yielded 4:25.

LINEHAN: Thank you, Senator Geist, and thank you, Mr. President. I do remember Senator Geist was because when Senator Groene put that together, he also tried to make sure that we had representation across the state. So we had people from 3rd District, from-- when I say 3rd District-- 3rd Congressional District, 1st Congressional District and 2nd Congressional District. So in my research, we're talking a lot tonight about 1989 and what happened back in the day. And part of what was also going on at that time was the discussion of option funding. So I have not had the time to read all of this, but I'm going to quote here from a committee hearing and Senator Baack. He said, I have been struggling with over the last few years is accountability in our school systems. Are they really being accountable for what they do? And are we educating the children in the state to the best of our ability? So I-- I've been following Minnesota for a number of years.

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The idea-- the idea came up the number of years ago in Minnesota to allow parents to have choice as to where their children attend school. The bill was put through the midst of, I don't know how many-- they passed. And skipping down it goes, this is the ultimate local control. This puts the local control issue right to the parents themselves. And they are the ones that are going to make the choices in this. This is a local control and its ultimate. Now, you will all think, because I'm saying this, that this is about school choice. It is about school choice, but it's about public school choice. So he also said in the bill, and this is to show us how things we pass get changed, their school board adopted a policy that said they will not increase their-- OK, so they passed the bill, but they said, the schools have to have a policy where they cannot increase their class size beyond 25 students per class by accepting all these kids. So that goes to what Senator Wayne has talked about before, about having room. But this is what I found most interesting. So the standards they may not include, that you may not use, this is what you cannot do when it comes to option students. Reasons for rejecting. You cannot reject students because of previous academic achievement. This is in the bill when the stuff passed. Cannot accept them for athletics or other extracurricular-- extracurricular ability. Cannot reject them because of their handicapped conditions or proficiency in English language. You cannot consider previous disciplinary proceedings or transportation cost. So now, we're 30 years later and they can consider all the things. So I'm going to go back to one of the biggest problems, I have several issues with this, but one of my biggest issues is you can put a commission in place--

WILLIAMS: One minute.

LINEHAN: --that sunsets in 10 years and we're all term limited and they're not. You're weakening the Legislature. It's the last thing we should do is to make this body weak. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Linehan and Senator Geist. Senator Slama, you're recognized.

SLAMA: Thank you, Mr.-- thank you, Mr. President, and good evening, colleagues. I am very appreciative of the discussion we're having tonight. I'm still rising, listening to debate on LB132. I'm not sure where we'll fall yet. I think we've discussed a lot of the big concerns I have with the bill but it just gets to the single core issue for me. And it's-- we are in LB132 setting up a study, setting up a commission to study a problem, to fix a system that we already know is irreparably broken and it's failing our students in the state

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and it's failing our taxpayers in the state. And this commission, I worry it has a report due at the end of this year, which I think is a very ambitious goal and a quick turnaround. The biggest red flag I want to bring up on this turn on the mike is that it doesn't sunset until December 31, 2030. Our students, our taxpayers in this state needed these solutions 10 years ago. They need solutions now and we can't be kicking the can down the road saying we need to study this problem. We know there's a problem. We know how to quantify it. All the data in LB132 is publicly available and can be collected by anybody in this body should they choose. So I'm not sold yet that LB132 is really the mechanism for addressing clear issues we have with TEEOSA and I think since we are having this discussion tonight, it's valuable for everybody that's left on the floor to understand how TEEOSA is calculated in our state, because this is the system that we work under in our state to decide which kids get funding on the state level and which kids are stuck with local property taxpayers keeping the lights on and the doors open in their particular school districts. So on a basic level, and this is from the Nebraska Department of Education, the Nebraska equalization aid formula concept is calculated needs minus calculated resources equals state education aid. So the system formula need is the sum of basic funding plus property allowance plus limited English proficiency allowance, plus focused school and program allowance, plus summer school allowance, plus special receipts allowance, plus transportation allowance, plus elementary side allowance, plus distance education and telecommunication allowance, plus community achievement plan allowance, plus non-qualified limited English proficiency adjustment, plus system ad-- averaging adjustment, plus new school adjustment, plus student growth adjustment, plus limited English proficiency allowance correction, plus poverty allowance correction, plus student growth adjustment correction, system formula need may be adjusted by formula need stabilization, so need stabilization keeps the 2021 formula need between 100 and 112 percent of the previous years and recalculated formula need except the formula need for districts receiving a student growth adjustment is not decreased. If you're having problems following this, you should be. We're talking about several dozen different variables that have been implemented since TEEOSA has been put in place over the decades and we're asking our school board members to look at this formula, to plug in their numbers and somehow come up with an estimate of the state aid that they were going to be receiving every year. For 166 districts in the state, that's not a problem because they're not getting a dime--

WILLIAMS: One minute.

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SLAMA: --of state aid through TEEOSA. Thank you, Mr. President. But for the equalized schools in my districts, and I think a lot of our equalized school districts fall into this category, you have school board members who-- and I have every belief in their ability to serve and do their job well. Ultimately, I think you need an advanced degree in economics to fully grasp how these different variables will impact every single school district on a given year. And a lot of the times it's impossible to look into the-- look into the formula and know within even a few million dollars where your school will end up in the particular year. So I do plan on getting up on the mike at least one more time again tonight to go into more detail on how these variables work and interact with each other, because it is important to understand what kind of system TEEOSA is and how it's irretrievably broken. Thank you, Mr. President.

WILLIAMS: Thank you, Senator Slama. Seeing no one in the queue, Senator DeBoer, you're recognized to close on AM1199.

DeBOER: Thank you so much, colleagues, for this conversation. I think this is really productive in helping me to think about if we do pass the bill on to Select the things that I will need to do in order to make it a better bill so that it can help all of you with the concerns that you have. I think these are really important conversations. They're sort of process conversations, talking about how we should talk about things and I think that's-- that's really good. As you all know, I'm-- I'm willing to to work on a lot of different things. I, too, originally thought maybe the-- the group was getting too big, but I wanted to make sure that it was balanced. So this is what we have. But I'm open to looking at different numbers of folks in different ways. So that's there too. I will say that I did bring an LR my first year here and we met with a lot of different groups on school finance and so we talked to a bunch of different people who came to listening sessions that I did over the course of a summer. I think we maybe talked to 20 or 30 groups, I can't entirely recall. And then I had a group of Senators that met and we talked for a while. And, you know, I thought that we might have made some progress on the conversation. And that's the kind of thing that I want to build on here. So I will bring an LR regardless of whether or not this commission passes or maybe-- maybe just if it doesn't. And I will attempt to get groups of people together that can try again to learn from each other. And, you know, we'll just keep trying all of these different ways because I think the best way to get somewhere-- I mean, one of the things that I learned in seminaries, you have to really listen to where people are and why they are where they are. And so it's always just been very important to me to do that. And I think that that is a way to build trust, that

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the trust issue is deep for a lot of different folks here and with a lot of groups with the Legislature, right? So the school groups, the farming groups, various groups have-- have reason to have trust issues with us over time. And in-- in the body itself, there are trust issues between different groups of people and I understand all of those. And, you know, maybe the way to do it is just to-- to keep shouting at each other until somebody wins, but it seems to me that the best way would at least be to try to get folks together in a room and listen to each other. Maybe this isn't the right solution. I think it is. But I'll keep listening to you all and keep trying to figure out if there's a way that I can think of that might work better based on all of your recommendations. The amendment that we're voting on right now, AM1199 would add one additional Senator. There were three Senators in the committee amendments. Also there were a lot of restrictions on who those Senators were. This opens it up to four Senators without having a lot of restrictions on who they are. So if that's something that the body thinks is important to do, then I think you should adopt this amendment. I think that it makes the bill better, but I will respect the will of the body on that. So adding one Senator and opening up the restrictions on that, on those Senators, is what this amendment is about. I would ask for your green vote on AM1199.

WILLIAMS: Thank you, Senator DeBoer. Members, the question is, shall the amendment to the committee amendment to LB132. There has been a request to place the house under call. The question is, shall the house go under call? All those in favor vote aye; those opposed vote nay. Record, Mr. Clerk.

ASSISTANT CLERK: 23 ayes, 2 nays to go under call, Mr. President.

WILLIAMS: The house is under call. Senators, please record your presence. Those unexcused Senators outside the Chamber please return to the Chamber and record your presence. All unauthorized personnel please leave the floor. The house is under call. Senator McDonnell, would you please check-in? The house is under call. Senator Matt Hansen, Senator Wishart, Senator Morfeld, Senator Hunt, please return to the Chamber. Senator Wishart and Senator Hunt, please return to the Chamber-- Chamber. The house is under call. All unexcused Senators are now present. Senator DeBoer, how would you like to vote? There's been a request for a roll call vote in regular order. Again members, the question is shall the committee amend-- or excuse me, the amendment to the committee amendment be adopted. Mr. Clerk.

ASSISTANT CLERK: Senator Aguilar not voting. Senator Albrecht voting no. Senator Arch voting no. Senator Blood. Senator Bostar voting yes.

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Senator Bostelman voting yes. Senator Brandt voting yes. Senator Brewer not voting. Senator Briese. Senator John Cavanaugh voting yes. Senator Machaela Cavanaugh voting yes. Senator Clements voting no. Senator Day. Senator DeBoer voting yes. Senator Dorn voting yes. Senator Erdman voting no. Senator Flood voting yes. Senator Friesen voting yes. Senator Geist voting no. Senator Gragert voting yes. Senator Groene voting no. Senator Halloran voting no. Senator Ben Hansen. Senator Matt Hansen voting yes. Senator Hilgers voting yes. Senator Hilkemann voting yes. Senator Hughes voting yes. Senator Hunt voting yes. Senator Kolterman voting yes. Senator Lathrop voting yes. Senator Lindstrom. Senator Linehan voting no. Senator Lowe voting no. Senator McCollister voting yes. Senator McDonnell not voting. Senator McKinney voting yes. Senator Morfeld voting yes. Senator Moser. Senator Murman voting yes. Senator Pahls. Senator Pansing Brooks voting yes. Senator Sanders. Senator Slama voting no. Senator Stinner voting yes. Senator Vargas voting yes. Senator Walz voting yes. Senator Wayne voting yes. Senator Williams voting yes. Senator Wishart voting yes. Vote is 28 ayes, 10 nays, Mr. President.

WILLIAMS: The amendment is adopted. Mr Clerk, for items. Raise the call.

ASSISTANT CLERK: Mr President, amendments to be printed: LB285, Senator Brewer. Communication from the Governor, LB9, LB17, LB58, LB63, LB81, LB143, LB152, LB154, LB181, LB320, LB320A, LB338, LB343, LB372, LB423, LB423A, LB451, LB466, LB497, LB500, LB501, LB507, LB583, and LB616 have been received in the Governor's Office on April 29th and delivered-- signed and delivered to the Secretary of State. New resolution, LR120, by Senator Lowe expressing thanks to Janice Wiebusch for her work on the Nebraska Liquor Control Commission. New A bill, LB474A by Senator Wishart. It's a bill to-- for an act relating to appropriations to carry out the provision of LB474. That's all I have at this time.

HILGERS: Thank you, Mr. Clerk. Mr. Clerk, for an amendment.

ASSISTANT CLERK: Next amendment offered by Senator Linehan, AM1203.

HILGERS: Senator Linehan, you're recognized to open on AM1203.

LINEHAN: Thank you, Mr. Speaker. So this amendment strikes an act-- well, it strikes the whole first section, which is who's on the committee. So I'm going to go back to what I think is a far better idea than a commission of people who aren't familiar with TEEOSA, who will come with their own biases because they're going to have even if

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we could forget about the lobby, which is ridiculous because they will be there, but they'll have their own people that will be pulling them in the direction, whether it be in the NRCSA direction, the small schools, or the STANCE direction or the GNSA direction, they will all be pulled five different ways. And they're going to start, most of them from grand-- ground zero in understanding how this works. There are, as I've said previously, there are some people, the bigger schools, GNSA schools, mostly, they have a finance person. It's usually assistant superintendent that works on TEEOSA that understands how the bill works for them. Frankly, I've seen little desire of other schools to much interest in how it doesn't work for the NRCSA schools. I-- I was suspicious yesterday when the big schools were not interested in working very hard to defeat money going to the smaller schools, but I think it's all become much clearer in the last 24 hours on what's going on. There's several amendments on this bill. One of them is Senator Friesen's bill that was defeated yesterday. So I can see where there's an agreement here with the rural community, rural NRCSA schools and the GNSA schools. The GNSA gets the study, then the small NRCSA schools get some funding. The problem is, if I understand it is, that's a short time deal and I-- I have tried really hard to work with the ag people in this body and the outside groups. And let's go back to 1989. That was driven by ag because we were coming out of the '80 farm crisis. Property taxes were high. It was driven by ag. Scott Moore who represented Seward was a leader in this, and it was to make sure that ag wouldn't be so overburdened with property taxes. So why, if this is such a good idea, are we here 30 years later with the same problem? So I'd be very leery if I was from a NRCSA school hearing that we'll give you \$160 million if you give us our study, because the study will come back and say, you don't need \$160 million. The study will come back and say, as it did in 1989, even the things that Senator DeBoer passed out, it says this is to make sure that the rich school districts are equal with the poor school districts. I know we don't-- unless we change the valuation of how we value-- how we value ag land, you're still going to be rich. The very thing that made Senator Friesen's bill work is he's taking down the valuations of ag land. If you take down the valuations of ag land, you have hope, at least maybe a prayer, that anything this commission would come up with would mean money would keep flowing to smaller schools. Without that reduction ag land valuation, that's not going to happen. Might happen for a year, but the study will not come back and say you need more state aid. It just won't unless we change that ag valuation. Back to all day on Senator Erdman's bill, this is like maybe more than a Band-Aid, but it's not enough to fix a wound, not this wound. I understand the desire of people to, like, somehow have a magic wand

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and fix this, it's not going to be, it's not there. There is no magic wand that fixes all. And a commission of 20 people who know-- maybe two of them knows something about how it's going to work, the idea that they're going to meet, what, a couple of times a month, over six months, and they're going to write a report and tell us how to fix this. I-- I just-- I don't-- this is not going to work. And it's not what will happen anyway, what will happen is you have 20 people who will get bombarded by the school lobbies, get barded-- bombarded by all the different people involved. And those outsiders, the same people we work with every day here, will end up writing the report. It won't be some independent commission writing it. They will write what they're told, the people they listen to. How could they possibly do anything different? I've worked on this formula for four years, and I still discover things every other day. Well, not maybe that often anymore, but frequently something, oh, I didn't know that was the way that worked. And Senator Slama did a great job of going through all the numbers. Let's just go to this number in the TEEOSA formula that Senator Groene tried to address last year and where we got, and it's very connected to the conversation yesterday about poverty. There is in the formula currently, I think it's \$28 million. I don't know if Senator Groene is still here. Is it \$28 million? Senator Groene, would you yield to a question, please?

HILGERS: Senator Groene, will you yield?

GROENE: Yes.

LINEHAN: How much is the average in adjustment, Senator Groene?

GROENE: Is what?

LINEHAN: The averaging adjustment inside the TEEOSA formula, the averaging adjustment.

GROENE: For the bigger schools?

LINEHAN: Yes.

GROENE: Oh, it's up to about 35 million now.

LINEHAN: 35 million. And what are the bigger schools that get that money? The big chunks of it.

GROENE: The ones that already have the money.

LINEHAN: Right.

GROENE: Millard, West Side, schools like that that don't have busing and don't have other expenses--

LINEHAN: So it's--

GROENE: --poverty. So, but it's based on average cost per student. It's one of those things that their lobby got for them.

LINEHAN: Thank you, Senator Groene. Yes, so one of the schools you mentioned that gets a big chunk from the averaging adjustment is Millard. Now, if you go back to the sheets that Senator Friesen handed out yesterday and you pull up Millard on those sheets, you'll find that Millard has one of the lowest poverty levels in the state. I think they're at around 20 percent. But somehow, every time they come in to defend the averaging adjustment, it's because they have the highest needs. They simply don't. They don't have the highest needs. Lincoln Public Schools also gets a significant amount from the learning adjustment, and they come in and argue that they have the highest needs. They don't. They're right at the state average. The reality is that OPS who gets some of that money, they-- they do have besides Minitare and maybe Lexington, they have the highest needs, but they don't get more money because they have a higher-- higher needs. How do you-- how do you-- we have a formula that gives one of the most wealthiest school districts in the state, also third largest, well, it's actually the top three district's-- top three schools, OPS, Lincoln, Millard, get the lion's share of it. And why? It's not because what they say it's the highest needs, it's because they have the most votes in this body. It just is what it is. And that won't change if we have 10 commissions. I'm going to say what I said again, we can do this, but it won't change the votes in the body. The only thing that's going to make this move forward, if we all agree that we all need to get out of our own little bunker in our own little school district, and I've done that. I've gotten out of my--.

HILGERS: One minute.

LINEHAN: --my school bunker and looked at the whole picture. And until we all do that, we're not going to solve this problem. I don't care how many commissions we have. Thank you, Mr. Speaker.

HILGERS: Thanks, Senator Linehan and Senator Groene. Senator Matt Hansen, you're recognized.

M. HANSEN: Thank you, Mr. President. And you know what? Senator Linehan's final comment there segued into my point. I haven't spoken

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on this. I don't think I'll get to speak many times, in part because I don't want to aid the filibuster. But there are two things that I always want to point out when we start talking about school finance and it's related to property tax relief on this floor. One is the schools don't vote on this floor. They don't. We keep blaming the big schools for being obstructionate. No, the fact is you cannot get a coalition of Senators to agree to something, in part because routinely and routinely and routinely there are amendments that kind of just are straight at, you know, a swipe at Lincoln Public Schools or Omaha Public Schools. And I don't know why people act surprised when on other bills, there's a swipe at Lincoln Public Schools and all of a sudden the Senators who represent Lincoln Public Schools don't represent them, don't want to vote for them. I mean, I think there was one bill several years ago that both cut LPS's state aid and raised taxes in Lincoln and people act surprised when I was hesitant to accept that as a friendly bill, like what would I be doing to my constituents in that scenario? And I bring that up to say, I bring that up to say, fundamentally, part of the problem, we can't get to the root of property taxes. Fundamentally, part of the problem we can't get to this is because we're trying to use a revenue mechanisms to fight an education policy debate, which is why a commission like this that takes some people who know education policy, like teachers, like administrators, like school board members, and incorporates them in the solution is important. Some of the rhetoric I hear on some of these revenue bills worries me in the sense of people in this body are willing to tear down their own school districts and they're willing to tear down mine, too, to get property tax relief rather than finding some sort of collaborative, you know, solution. I mean, that's really the schools are the enemy that we cannot think of a single teacher who's qualified in the state to talk about TEEOSA. We don't want them on the commission. There's all administrators are greedy and out for money and are, quote unquote, the establishment, and there's no room for them in any sort of negotiation or solution. I mean, these are professionals who dedicated their lives to the teaching of our students. These are people we literally entrust our children to, and we don't trust them enough to include them in the conversation on taxes and then make fun of them when we-- they want to be involved in the conversation on taxes. It's these fundamental barriers are why so many of these bills have struggled in the past on this floor. I've tried really hard to get to yes. I've tried really hard to understand the issue. Senator DeBoer will vouch for it. I spent a whole summer two years ago talking to about every school district, every farm group in the state, trying to get my arms around this problem, trying to figure out this problem. One of the very last meetings we had before

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COVID was a meeting in my office where a number of stakeholders and senators were talking about taxes and school funding. I'm trying to get there, but when you're complaining that a bill that was-- that included, among other things, both rhetoric, on the microphone, and actual text, that was a swipe at my school district, I don't know why you're acting surprised that I might be hesitant to vote for that. And yes, it is Senators like myself on this floor who aren't willing to sacrifice our schools to give your schools extra money to lower your already lower levies. I'm willing to come to some things. I voted for Senator Friesen's bill the other day to at least keep it alive, because I do agree we're getting to the point where maybe some sort of stabilization or foundation or something can be part of the formula. I'm willing to come to the table, but don't act surprised when you get up on this microphone, you make fun of teachers, you make fun of administrators, you mock people in the education world and then people who are skeptical of your bill to begin with, all of a sudden, don't--

HILGERS: One minute.

M. HANSEN: --don't see olive branches and good, you know, and good vibes coming their way. I mean, if you want to get to a solution, incorporate and involve some of the people who have the expertise in education, which is exactly what Senator DeBoer wants to do here and why this is such a good idea and why I think it's so disappointing it's stuck in a filibuster and we're probably going to have to spend a lot of today and tomorrow on it. With that, obviously, I rise in support of LB132 and will support other amendments. I don't know what the Linehan amendment is, so I won't speak to it directly. Thank you, Mr. President.

HILGERS: Thank you, Senator Hansen. Senator Groene, you're recognized.

GROENE: Thank you, Mr. President. I found a copy of the report to the Legislature, LR155, Nebraska Tax Modernization Committee. If you see it, it's about 180 pages. It was-- the title of it was Balancing the Scales, a comprehensive review of Nebraska state and local revenue system. Members included: Galen Hadley, Chair of the Revenue Committee; Paul Schumacher, Columbus, Vice Chair; Kate Sullivan, Education Committee Chair; Heath Mello, Appropriations Committee; Kathy Campbell, Lincoln District; John Harms, Scottsbluff; Ken Scheels, Ogallala; Tom Hansen, North Platte; Bill McCoy, Omaha; Pete Pirsch, Omaha; Burke Harr, Omaha; Charlie Janssen, Fremont; Jeremy Nordquist, Omaha; Kate Bolz, Lincoln. Pretty diverse group. I'll just-- that thick report, I'll go back to what they, recommendations on property tax. I like the way they did this. A lot of information

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but then pretty precise recommendations. Number one: Increase the state aid commitment to schools to offset property tax use and reduce property taxes as a share of total state and local taxes. I just quoted you the main mission of LB1106 last year, made mention of it, but reduce property taxes as a share of total-- those friendly individuals, Senator Hansen also talking about a friendly, nice, cooperative administrators tore it apart. Reduce agriculture land value percentage to reduce the rate of tax on this value. I think we've seen that. Senator Friesen's bill had to remove that part. LB1106 had that in there. Raise homestead exemption program income guidelines to increase the number of low-income households who would qualify. I remember this was-- this was an overview of our tax policy and we've done that since this study. Offset the regressiveness of property tax providing relief to households having higher burden of property tax on their household incomes. Consider circuit breaker programs for renters, high property tax burden households and farm owner operators. We've done some of that except, well, some of the farm owner operators with the-- with the refunds and the credits. Then recommend further study and analysis, residential valuation, classification on the residential homes. Now, those people in Lincoln and Omaha, their home valuations are skyrocketing now. Probably wish that would have been done. It goes into income taxes. This was quite a group of Senators, very accomplished people. Guess who stopped the-- what was tried to be accomplished? Education establishment. They don't want to give a property tax authority, period. Then I said Senator Sullivan, when she was Education Chair and Senator Gloor at that time did another study. I was part of that one. Pretty much the same findings. The disparity between property taxes in the state and income and sales taxes have widened, but they're original-- in 2000-- this was 2013, said the U.S. average on property taxes is part of the state's revenues. Taxation in state average was 33 percent. Nebraska was 37. Regional, it was 34. And even back then, when the total revenues were at seven billion, they made the comment that that doesn't sound like a lot of difference, but it was three to four hundred million at that time. If we had gotten down to a third instead of 37 percent, well guess what, eight years later, Senator Linehan's LB1106. Senator Scheer, I guess was his shall bill, so it was really his bill tried to do that. But, we were talking about five hundred million--

HILGERS: One minute.

GROENE: --switch over to state aid education. That's the way we were going to fulfill with Nebraska Tax Modernization Committee. If you wanted to do a study, maybe if you took out everything in this thing

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and said you're just studying how we fund education, the percentage, property taxes, sales taxes, income taxes, that's, period, it. Not about preschool, not about mental health, not about more money for continued education, just that. You want results, just narrow, narrow the mission of the commission committee to what the biggest problem in the state is, how we fund our public schools.

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

PANSING BROOKS: Thank you, Mr. Speaker. Well, I'm standing up in utter confusion about what's going on and I haven't spoken today on this because I'm hearing such doubletalk, in a way. I think it was Senator Murman earlier today who said, let's just make this a study. And then I've heard from Senator Groene that he doesn't want to study and it shouldn't be a bill and we should be doing the other bills that have come forward. I'm going to need to ask some questions to Senator Linehan. Senator Linehan, would you yield, please?

HILGERS: Senator Linehan, will you yield?

LINEHAN: Yes.

PANSING BROOKS: Thank you, Senator Linehan. OK, I'm-- I'm genuinely trying to figure out what's going on with this and I mean, I understand from hearing you speak that you do not like the groups that are up there on the-- that are the groups that are delineated by Senator DeBoer.

LINEHAN: No, my first issue-- that is an issue but my first issue is I think this is the body that needs to address the issue and I think we have the expertise in the body that if we work together, we should do-- it's our job, not commission, it's the Legislature's job.

PANSING BROOKS: OK. So you would prefer that about eight people in the body would recreate a TEEOSA type of formula?

LINEHAN: I don't-- I'm actually one that I don't think TEEOSA is all that broken. I think the way we fund it is broken. I mean, I don't like it. I know it's complicated, but there's 244 school districts from 52,000 to like a hundred spread over our whole state. It's-- it can't be simple. I wish-- I wish there was some simple boom, boom, boom. There is no simple deal.

PANSING BROOKS: Well, and I think Senator Groene mentioned that our first year, I believe, when we were in the Legislature or-- or maybe

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it was the second year, we did have a study just of our Legislature and people came and spoke to us and we couldn't come up with any kind of plan whatsoever. So I just don't know how we do this without-- I mean, maybe everybody is just fine with TEEOSA and we continue sort of limping along. I do think there's an issue when people can barely explain it. That's-- that's a problem, I think. I know you can explain it, Senator Linehan, but I do think that it's very difficult even for everybody on the Education Committee except for the Chair and you and a couple others. So I think that, you know, that's an issue. And what-- do you think if Senator Deboer brought it as a legislative study, an LR, I keep hearing that, would you feel more comfortable about that or is it--

LINEHAN: I would think that was an excellent idea.

PANSING BROOKS: Would you support that?

LINEHAN: Yes, an LR, yes. I would support an LR. I think-- I think more people in the body, it's not-- it's not as complicated as everybody tries to make you think. It is your needs subtracted from your resources equals equalization aid. It's a simple math problem. Now, there's other little nicks and nacks that have been added on over the years that make it more complicated, but the big chunk of money, like 800, almost \$900,000 of the billion is simply that.

PANSING BROOKS: OK, well, I can do that simple math, but it is all those other parts that makes it difficult.

LINEHAN: Well, the other parts, the other big chunk is option enrollment, and that's pretty simple. Child goes from school A to school B, state sends school B \$10,000.

PANSING BROOKS: OK, thank you. So what I'm wondering is if she brings us an LR, you still won't like it if it has those groups involved.

HILGERS: One minute.

PANSING BROOKS: Is that correct?

LINEHAN: No, that-- fine with- I believe in free speech. They can be involved, they should be involved. But I think the chair of the committee and other people-- whoever Senator DeBoer and Senator Walz would agree should be on the committee, it should-- they have to make it so it really feels like it's fair, but I think that would be an excellent idea.

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PANSING BROOKS: OK, well, thank you for explaining that a little bit to me. I am supportive of this bill of-- of what's going on. I really am not supportive of Senator Linehan's amendment, but she would expect that. And fortunately, Senator DeBoer is next, so thank you, Mr. Speaker.

HILGERS: Senator DeBoer, you're next in the queue. And thank you, Senator Pansing Brooks and Senator Linehan.

DeBOER: Thank you, Mr. President. So I hope that what we're-- we're running across here isn't an issue where-- actually, I really don't know. I'm struggling a little bit about what the differences between having an LR where it would be sort of limited and the role would be limited, that other folks could contribute, there wouldn't be as much open dialogue and discussion and then having this commission, but I'm continuing to listen to try to understand that. There are a couple of things I want to talk about, like the averaging adjustment was mentioned. My understanding is that originally the averaging adjusted-- adjustment was supposed to help those schools or recognize those schools who spend less than the average cost per student in the state and suggesting that they shouldn't be hurt by their frugality. And that part of the way the-- the formula works is that you have to take the 10 schools bigger than you, the 10 schools smaller than you. But of course, for-- for certain school districts, once you get to the biggest ones, you can't do that. So there was a-- a recognition of that sort of structural issue that somebody's got to be the biggest. And then they put in place this averaging adjustment to recognize those schools that are spending under the average when determining what their basic needs are. So-- so if that needs to be looked at again and I think I've heard Senator Groene saying in the past he really doesn't like it. So if-- if that's something that we need to look at, I think that's something to talk with these schools about. I mean, I just keep hearing over and over again everybody saying we don't trust the schools, we don't trust their people, we don't trust them. They're going to just charge more. They're just going to do this-that. You know, I think having a conversation with them and, and trying to-- to see if this could develop something, recognizing that we don't have to do what they say, just like we don't have to do what they say now. I mean, I-- I just fail to see the drawback. I just fail to see what hurts. Now, 2030 sunset, I understand. OK, that's too long. All right. Let's make it shorter. Let's make it a 2025 sunset or something like that so that there will be people in the body who were here when it was before. Happy to work on that. I mean, there are any number of things like that that I'm willing to work on. And, you know, I-- I certainly don't want to lead to a skewed outcome. I just want to

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study this problem with a group of people who are charged with preparing a report where they have to take ownership and how do we get to the solution? And one of the things that frustrates me, there are school groups that frustrate me too, Senator Linehan. You know that, we've talked about this. And so those-- those school groups, if-- if they're frustrating to me too, like, let's give them the task of saying, OK, come to us with the solution. Right? Let's do that when they're in the room with taxpayers, when they're in the room with farmers, when they're in the room with others and say, come up with the solution, bring it to us, let's try that. And then maybe we don't like that, but maybe there's some small part of it that we say, hey, that-- that actually isn't a bad idea. So we as Senators will take that piece and we'll run with that piece and try and come up with something. I mean, I just don't see what the drawback is of having some people out there that we give a problem to ask them to think creatively about it and say, OK, give us some advice. Like we ask for advice in other areas, so asking for advice, you know, that seems to be maturity.

HILGERS: One minute.

DeBOER: Maturity is the person who says, you know what, we haven't solved the problem yet, let's go ask for some advice. And, you know, I get that there's a lot of pushback on this. I see that people have concerns that somehow we won't be able to retain our discretion in the face of this report and that we will just give in to it. Maybe that's something that's happened in the past and-- and maybe there's some, like, stress about that, some incidents in the past that I'm not aware of where-- where people gave too much credence to a report. But I really feel confident that especially with people like Senator Linehan and Senator Groene and the body to say, hey, we can't just take this hook, line and sinker and whoever will be their predecessors, that we will be able to take a report, look at it and, you know, attach our own judgment, attach our own discretion and say this is or isn't good. And having given other people the option,--

HILGERS: That's time, Senator.

DeBOER: --the opportunity to come up with a solution. Thank you, Mr. President.

HILGERS: Thank you, Senator DeBoer. Senator Lathrop, you're recognized.

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LATHROP: Thank you. I'm listening to this and I'm puzzled. For three years since I've been back, we have had bills come out of Revenue. We've had bills come out of Education. We've had people-- the people that live in dollar five districts like mine complain about property taxes. We have rural guys complain about property taxes. We attribute all of these problems with property tax to funding schools. We have LB454 because people feel like everybody ought to get something. We've tweaked the TEEOSA formula, I think Senator Wayne said twenty six times. And now we talk about having a group come together to try to figure it out and there's opposition. Opposition, and it's not sort of mild opposition, it's determined opposition, which is fine, but I'm struggling. Senator-- Senator Linehan said you think they're going to bring in a magic wand and fix this? My answer would be, well, who's bringing the magic wand if we don't do this? What's going to be different? This is-- this is nuts. It's nuts because we want-- are we going to study it or just come back and have another bunch of bills come out of Revenue and a bunch come out of Education and the same crew that you're mad at, the establishment, they'll line up on either side of these things because no one has brought them in on the front end of this stuff. Senators introduce bills. They don't do it in a collaborative way. We're going to tell them what's going to happen. And surprise, surprise, they go uh-uh. We don't like it. And then they go to their Senators and 20 people say, no, a filibuster happens and nothing changes. We throw a little money in the Property Tax Relief Fund, Tier 1 or Tier 2, and call it a day and go home. If we're going to do anything different, then we got to do something different, starting with bringing the people that you are mad at. I understand. Kate Sullivan was a friend of mine. I think-- she's like, oh my God, I'm sorry, the Education Committee Chair is the worst job in this place because you're dealing with all of these superintendents and lobby-- every one of them have a lobbyist and they're always like, no, we don't want anything different. The only way it will happen, the only way any change will happen is if you bring them in at the front end instead of trying to come up with your own idea and shove it down their throat. And I think a commission, a study, however you want to structure this, has to be a beginning point-- has to be a beginning point or nothing will change. I guarantee we'll come back next year. Bills will come out of Revenue dealing with the tax issues. Education will take a swing at it. Some bills may come out of there and nothing will change because these people are brought in when somebody drops a bill. There is an opportunity with this commission, with this process that can be revamped. OK. We can narrow it, broaden it, but I got to tell you, I'm impressed. I am very impressed this year with what I've heard Senator Wayne and Senator McKinney talk about.

HILGERS: One minute.

LATHROP: And that's broader than just a TEEOSA formula. That's, what are we going to do with these kids who live in-- primarily in OPS, but it's not unique to OPS because this has got to be happening in Grand Island and in other places as well. The kids that aren't getting the education they need and what do we need to be doing to make sure they get it so that they are getting jobs and not marching towards the State Penitentiary for want of a decent education. Please, colleagues, I-- I urge you to vote against Senator Linehan's amendment. I urge Senator Linehan and those who are opposed to-- to allow this to Select File and sit down with Senator DeBoer and work to--

HILGERS: That's time. Senator.

LATHROP: Thank you.

HILGERS: Thank you, Senator Lathrop. Senator McCollister, you're recognized.

McCOLLISTER: Thank you, Mr. President. Good evening, colleagues. I echo the sentiments of Senator Lathrop. I think we need to move this bill forward. During my seven years in this body, this is the closest I think we've come to any kind of solution on education reform. It's the best way to go. It's something the body needs. It's something the citizens of Nebraska need. So let's allow this to occur. On another topic concerning trust. And we've been talking about a few people have said as much, but trust is earned and cannot be demanded-- earned and not demanded. Arbitrary assignment of bills is no way to build trust. And I relish the opportunity to work with my colleagues and enhance trust in this body. And let's agree to move forward with that. I guess I'm a frustrated former Revenue Committee member. You know, as I heard the consumption tax proposition today, it's a rather unusual way to go. But I think what we really need to do is slow, steady progress toward tax reform in Nebraska. What do I mean by that? We need to work on the outlier politics that we have in our-- in our state. The county inheritance tax is certainly an our-- outlier situation. Only seven other states in the country have any kind of similar tax. Our high license plate fees also seventh highest in the country. And we need to deal with that and Senator Hilkemann had made an effort to do that. Our high property taxes, I contend, aren't as high as we think. They say we are seventh or ninth highest in property taxes. But I don't think that takes into account the-- the billions of dollars we committed to that. And it's \$4.5 billion over two years and we haven't taken that into account when you rate Nebraska's property taxes.

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Narrow sales tax and too many exemptions. We could do a much better job with our tax structure if we would, you know, come to the realization that our sales tax is too low. You take South Dakota and they absolutely tax everything, including food and medicine. Now, in Nebraska, we give a \$200 million exemption for pharmaceutical and \$200 million for groceries. So we choose to not tax those items, but in South Dakota, they do. We also need to make our income taxes at least competitive with our neighboring states. I think Iowa actually has a higher tax rate than Nebraska. So we need to take a good look at that as well. It's taken us 54 years, 54 years to reach the point we're at. But I think slow, steady progress in tax reform is definitely where we need to go in Nebraska. Thank you, Mr. President.

HILGERS: Thank you, Senator McCollister, Senator Albrecht recognized.

ALBRECHT: Thank you, Speaker. I just like to look at the committee statement, and Senator DeBoer obviously introduced the bill. But right behind her comes the NCSA, the NASB, the NSEA and STANCE, the Nebraska Pork Producers, Nebraska Dairy Association, Nebraska Soybean Association, Nebraska Farm Bureau, OpenSky Policy Institute, Center for Rural Affairs, Nebraska Rural Community Schools Association, GNSA, and then the proponents with written testimony is Farmers Union, Stand for Schools, a Dr. McCormick, ESUCC, STANCE and NSEA. And just for those listening in this evening, we just keep on talking about TEEOSA that that's what they're going to form this for and help us figure it out. Well, it's a lot more than that. This bill isn't that many pages long, and if Senator Chambers taught me anything was to read the bill. So in Section 2, the commission shall conduct an in-depth review of the financing of the public elementary and secondary schools. Specifically, the commission shall examine methods of financing K-12 education, which would provide equitable opportunities across the state and offer alternatives to a heavy reliance on property taxes, including methods used in other states. Examine other options of using income as a component in the financing of K-12 schools. Examine the option of using sales tax as a component in financing K-12 schools, including, but not limited to an examination of other states using this option. Examine financing issues related to the quality and performance of K-12 schools. Examine options for funding expanded public pre-K services. Examine options for funding college readiness and career readiness programs including but not limited to dual enrollment courses and career academics. Examine the cost and resources necessary to meet the diverse and growing needs of students across the state, including, but not limited to the needs of poverty and limited English proficiency students. Examine methods from other states to fund public K-12 school infrastructure needs. Examine other

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issues related to K-12 school finance as necessary and as determined by the chairperson. Prepare and submit a progress report to the Legislature by December 31st of 2021 and prepare a preliminary report to present to the Legislative Council in November of 2022. The final report shall be submitted by December 1st of 2022. The Governor, the State Board of Education and electronically to the Legislature. The final report shall include recommendations on maintaining adequate, equitable funding for public schools in light of information gathered for the review. So we don't even get to the TEEOSA yet. So we're going to read on a little bit more. Number 2. LB132 directs that on or after December 1st, 2022, to assure that every Nebraskan is educated for success the Commission shall (a) review the mission of providing Nebraskans an opportunity to acquire the necessary skills and knowledge to be productive individuals. Review, make recommendations on and report on the progress of the goals established by the Legislature and the Nebraska Department of Education. The committee may solicit comments, concerns and case studies from all sizes of schools in Nebraska and develop the best practices for implementing and achieving such goals.

HILGERS: One minute.

ALBRECHT: And review the implementation of TEEOSA, review, the implementation of TEEOSA and any recommendations contained in reports issued under subsection 1 of this section. You know, again, this-- this-- this was obviously orchestrated by all those who came to testify on what their needs are for the state of Nebraska in their school systems. OK. It's not for us to decide, it's what they need more of what their needs are. And I'm sorry, you can-- you can say that this is a great idea, but again, it's for each and every one of our committees to study ourselves and try to figure it out. Whether you want to pull these folks in, that's fine, but it should be the state Senators who decide how this is going to go forward. You can you-- can weigh in any which way you want with whoever you want. But that's--

HILGERS: That's time, Senator.

ALBRECHT: Thank you.

HILGERS: You're welcome. Mr. Clerk, for items.

ASSISTANT CLERK: Thank you, Mr. President. Amendments to be printed: Senator Brandt to LB132; Senator Groene to LB132; Senator Wayne two amendments to LB196; Senator Brewer an amendment to LB51. In addition,

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the Government Committee will hold an Executive Session tomorrow, Thursday at 10:30 a.m. in Room 2022. Name adds: Senator Kolterman to LB236, Senator McKinney to LB241. Finally, priority motion. Senator Flood would move to adjourn until Thursday, May 6, 2021, at 9:00 a.m.

HILGERS: Colleagues, you've heard the motion. All those in favor say aye. Opposed say nay. We are adjourned.