

Transcript Prepared by Clerk of the Legislature Transcribers Office

Revenue Committee January 20, 2022

Rough Draft

**LINEHAN:** Welcome to the Revenue Committee's public hearing. My name is Lou Ann Linehan. I'm from Elkhorn, Nebraska. I represent District 39 and I serve as Chair of this committee. The committee will take up bills in the order posted outside the hearing room. The list will be updated after each hearing to identify which bill is currently being heard. Our hearing today is your part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit your handouts. It's important to note, and this is a change from previous years, if you are unable to attend a public hearing and would like your position stated for the record, you must submit your position and any comments using the Legislature's online database by 12 p.m. the day prior to the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. You must use the online database in order to become part of the permanent record. To better facilitate today's proceedings, I ask that you abide by the following procedures. Please turn off cell phones and other electronic devices. The order of the testimony is introducer, proponents, opponents, neutral, and closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to distribute to the committee, please hand them to the page to distribute. We need 11 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now-- not right now. I will introduce them in a second. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to five minutes if necessary, and we will use the light system because it helps everyone. You have four minutes in green, one minute on yellow and then when it's red, you need to wrap up. If there are a lot of people-- how many people are going to testify? OK, we'll go with five minutes, but I'm going to be hard stop at 5. If your remarks are reflected in previous testimony or if you would like your position to be known but do not wish to testify, please sign the white form at the back of the room and it will be included in the official record. Please speak directly into the microphones so our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff. To my immediate right is legal counsel, Mary Jane Egr Edson. To my immediate left is research analyst, Kay Bergquist, and we welcome back to the end of the table our committee clerk, Grant Latimer. Now I would like committee members to introduce themselves starting at my far right

**PAHLS:** Thank you, Chair. Rich Pahls, District 31, southwest Omaha.

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

**FLOOD:** Mike Flood from Norfolk, Madison and southern Pierce Counties.

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

**ALBRECHT:** Joni Albrecht, District 17, Wayne, Thurston and Dakota Counties, and a portion of Dixon.

**LINEHAN:** And our pages for today. Ladies, if you would stand up so people can see you. Our pages today are Kennedy Rittscher, who's at the University of Nebraska studying political science, and Ritsa Giannakas, who's at the University of Nebraska-Lincoln with studying political science and economics. Thank you, ladies, for being here. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Refrain from applause or other indications of support or opposition-- for our audience. It's been in here twice, if I remember. Lastly, we use electronic devices to distribute-- distribute information. Therefore, you may see committee members referencing information on their electronic devices. Please be assured that your presence here today and your testimony are important to us and critical to our state government. So with that, we will open our hearing on LB986. Senator Briese.

**BRIESE:** Thank you, and good afternoon, Chairwoman Linehan, and fellow members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e, and I'm here today to present my LB986. And we're going to have two hearings today, LB986 and LB987. The second bill, LB987, is patterned somewhat after last year's LB408. This bill, LB986, takes a little different approach. LB986 would, with some exceptions, generally limit school district property tax asking increases to the greater of 2.5 percent for inflation. But unlike LB987, the cap in this bill would rise and fall relative to increases or decreases in other revenue sources. Although inflation has been averaging about 1.75 percent per year during the last 10 years, property taxes have been increasing at about 4.45 percent, or roughly 250 percent faster than inflation. And I really think it's unconscionable for us to allow this to happen. We need to do what we can to ensure that this doesn't continue to happen. And we really are known for having some of the highest property taxes in the country. Some sources would suggest that we might have the third highest ag land taxes in the country and the fourth highest residential property taxes in the country. And according to Department

of Revenue data that I distributed yesterday, we likely collect roughly 600 million more in property taxes than we do income taxes and roughly 700 million more in property taxes than state, local and motor vehicle sales taxes. Our residential property taxes are roughly 60 percent higher than our neighboring states would force our homeowners to pay an extra hundred bucks a month on an average-sized home in Nebraska compared to what they would pay in many of our neighboring states. And that's not conducive to attracting residents and growing our state. And I would submit that our unreasonable, unsustainable overreliance on property taxes to fund local government continues to curtail economic growth in Nebraska. And folks aren't happy about it. When I travel the districts, I encounter folks that are extremely unhappy about it, and I encounter anger over this issue and some-- and I think in this committee, we've seen that anger manifest itself at some of the hearings we've had relative to property taxes in the past few years. And so what are we going to do about it? You know, property tax relief requires a multipronged effort, and one prong must be trying to control the increases in property taxes. And that's what LB986 does, and LB987 also. And these bills are directed at schools and so-- so what about schools? I look at the data and it seems that in the aggregate, property tax askings by school districts it has been, you could argue they have been reasonable. But as you dig a little deeper comparing property tax asking increases to student enrollment to fluctuations in state aid equalization aid, there are some troubling examples out there, some troubling numbers out there. I was looking through some numbers that my staff put together here earlier. And you know, one example is an unequalized school with over the last four years having a 10 percent average property tax increase and an average 4 percent enrollment decline. Another equalized district who's had an average of roughly eight-tenths of a percent of equalization aid increasing, has a roughly five and a half percent property tax increase annually, with an enrollment decline. And some of those numbers, you ask yourself, how is this happening? Why is this happening? And in a lot of cases, maybe there is a reasonable explanation for it, but at first glance it, to me those are troubling numbers. And really LB986 is designed to limit property tax asking increases, but at the same time, protect the ability of schools to educate our young people, which is important to all of us. And it begins by calculating a school district property tax request authority. This amount is initially determined by increasing the district's previous year's request by the highest of two and a half percent, or the increase in the CPI, Consumer Price Index, or 40 percent of the percentage growth in enrollment, or 25 percent of the

growth in LEP students as a percentage of enrollment, or 25 percent of the growth in poverty students as a percentage of enrollment. This amount, determined above, is then decreased by an amount equal to the amount by which nonproperty tax revenue for the current year exceeds total nonproperty tax revenue from the prior year or this amount is increased by the amount equal to the amount by which this nonproperty tax revenue for the prior year exceeds the nonproperty tax revenue for the current year. And note that the limit described here does not apply to those dollars needed to pay bonds. And in the spirit of local control, the limits can be exceeded by a designated amount by a 60 percent majority of a public vote. It can also be exceeded by a 75 percent majority of the school board, with limits on the percentage that can be allowed, and the bill allows the district to carry forward any unused authority. So last year, we debated LB408 in a bit-- in a bit I will discuss LB987 which is quite similar to LB408 but allowing for inflation. But this bill contains some provisions that really will provide some protection for a growing school district or one facing an influx of LEP or poverty students, which are important. But really, the greatest difference between this bill and last year's LB408 and LB987 are the provisions that allow the cap to float with other revenue sources. And why might that be important? Well, obviously it clearly gives our schools protection against a drop off in other sources of revenue. For example, of state aid for some reason, it begins to dry up on a district. Their property tax asking authority is going to go up to compensate for that. But it also protects our taxpayers in the event of an influx of other revenue and protecting our taxpayers in that regard, why is that important? Well, most of us in this room, probably everybody sitting-- almost everybody sitting in here really have been involved in multiple efforts at education funding reform. And those reforms typically entail injecting more state dollars into public schools and those-- with those efforts, we've often struggled. I'd say we've always struggled. And why have we failed? I would suggest to you that the greatest stumbling block we have encountered in our efforts at comprehensive education funding reform is trying to ensure there's a mechanism to ensure those dollars yield property tax relief. On one side, you have folks thinking we have to have a mechanism in there to ensure those dollars yield property tax relief. On the other side, you have folks that don't think we should have any limits or controls there, and that generally has resulted in an impasse on these issues. And I would suggest that this bill presents a mechanism that can allow us to overcome that impasse. The floating cap would require a reduction in the tax asking as we inject additional state dollars into school districts. But at

the same time, it still allows for reasonable growth during that period in which additional dollars are injected in there and it allows local control. And you know, I do realize there is a potential issue with the inflation provision in here. I think that needs to be tweaked and there's probably other areas that folks will suggest tweaks and changes need to be made. So I do look forward to hearing-- hearing the testimony, and at this point, I guess I'd be happy to answer any questions if you have any.

**LINEHAN:** Thank you, Senator Briese. Are there questions from the committee? Seeing none. You'll be here to close.

**BRIESE:** For sure. Thank you.

**LINEHAN:** Thank you. Oh, yes-- so I'm assuming-- we spoke to committee staff and I spoke to Senator Briese before, if you're here on both bills, you can combine them, that way, back and forth, but you don't have to. But you're still limited to five minutes, so you might want to stay for both. OK, first proponent. Do we have any proponents?

**NICOLE FOX:** Good afternoon, Chairwoman Linehan, and members of the Revenue Committee, I'm Nicole Fox, N-i-c-o-l-e F-o-x, and here with Platte Institute, and we're in support of this bill. School districts rely to a large degree on property taxes to provide the high quality education Nebraska's children deserve and for which they have a right. From our research, which includes numerous scientific surveys of Nebraska voters on state and local tax policy, while most Nebraskans are willing to pay a generous amount in property-- property taxes for this purpose, 77 percent are also concerned about their ability to afford paying for their property taxes either now or at some point in the future. Forty-three percent say that local property taxes have become a greater concern since the beginning of the COVID-19 pandemic, while only 8 percent say they worry less or concerned. Nebraskans don't always agree on the best way forward when it comes to tax policy, but 60 percent have favored a constitutional cap on the annual growth of property taxes, compared to 24 percent who opposed. And 62 percent favor-- favor further limits on local property tax rates or valuations. Only 17 percent were opposed. Nebraskans generally don't want to cut school funding, but they do favor measures to keep increases in property taxes at a reasonable level, and that is what LB986 does. When we look ahead to education funding reform, this bill has a provision that would reduce the asking by the amount of additional nonproperty tax revenue sources in a given year, or would increase the asking if those revenue sources are reduced from the

prior year. We've all discussed ways in this committee to increase nonproperty tax revenues available for districts and LB986 is set-- is set up for a time when senators decide on some more of those ways. Our economic landscape has changed significantly-- significantly in the past year with the current 40-year high inflation rate. And this bill would accommodate that reality for districts. However, districts would still be required under Nebraska's new truth and taxation law to directly notify taxpayers and justify tax increases at current levels of inflation. LB986 would also provide voters the option to approve exceeding the required property tax request. 60 percent support of voters would be needed at that special election, which is a good number because that's how many Nebraskans think property taxes need these additional limits. Requiring a vote of the people would give taxpayers an opportunity to say no if the increases are inappropriate at that time, or to approve an override if boards made a good case for them, but the school board could also exceed the limit by a supermajority vote. LB986 has another provision that is more flexible for districts. Should a school district choose to not increase their property tax requests by the full amount allowed, they may elect to carry forward the unused increase authority to future years. While this is reasonable, we do propose that the committee consider also setting an amount on how much total carryover authority can be used at a time. We thank Senator Briese for introducing LB986, and we look forward to providing solutions that address Nebraska's concerns about local raising property taxes. And with that, I'm happy to take any questions.

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

**PAHLS:** Thank you, Chair. I read what the Chamber of Commerce, they support this issue and condition and they said something about income tax and property tax, apparently, it's their big issue. So what's left is state sales tax or sales tax. Is that-- would you agree with that? I mean, we should be looking at state level and state-- or sales tax, is all that's on this issue?

**NICOLE FOX:** Senator Pahls, thank you for that question. And yes, the Platte Institute has been on record that Nebraska does need to modernize their tax code and they need to do it in a comprehensive fashion. And I'll probably be in front of this committee at a later time talking about some of that. So, yeah, I mean, I think sales tax needs to be a part of our total tax modernization discussion, but I think there's-- there are-- there are a lot of moving parts when it

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comes to property taxes. And so what we support with this is just that it deals with, you know, capping the property tax asking authority.

**PAHLS:** And I understand that. But if you cap the-- the tax, that means the schools and pay-- I'm on your side. I'd say, hey, let's make the schools-- let's squeeze them. Why not? If they are overspending, let's squeeze them. But if the property tax gets so narrow that is the answer-- I'm trying to find out what is the answer if we need additional tax?

**NICOLE FOX:** Well, I mean, I think with this bill, obviously, you know, it does allow school boards to exceed the property tax asking authority. And if they want to do that, it has to go to a vote of the-- vote of the people. So, you know, we support that. I think if school board can make a case as to why they want to set their request at what they want to set it at and they can make a good case for the people, you know, then they can vote accordingly.

**PAHLS:** Right, I agree. I agree. Let the people make that decision. I'm totally in support of that. I'm just trying to think, what is the other-- there's got to be something else here other than just, OK, let's squeeze and just go to the vote of the people. It's-- I think you're saying, raise sales tax.

**NICOLE FOX:** I-- no, I'm not saying raise sales tax.

**PAHLS:** Increase sales tax.

**NICOLE FOX:** I'm not saying increase sales tax, no.

**PAHLS:** Nope, OK, exemptions. Do not do anything with any of the exemptions.

**NICOLE FOX:** OK.

**PAHLS:** Yes, I'm asking some questions--

**NICOLE FOX:** OK, OK.

**PAHLS:** --but I need the answers from it. And she's very knowledgeable because she's in an organization that, you know, really looks in this so I respect you for that. I'm just trying to figure out what it is in my mind that I should be seeking because I have no problem of making the school districts more efficient. Not at all. My education friends

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are listening right now. Probably think, what's going on with this guy? I have no problem with that.

**NICOLE FOX:** I-- Senator, I understand what you're what you're getting at, but I guess my response with you, that's not an element of-- of this bill. But yes, we-- I mean, we do have this on record and we've-- we've talked on this committee several times about looking at, you know, our-- our sales tax base and some-- we've talked about ideas of how to reform our--

**PAHLS:** I'm just trying to find a solution.

**NICOLE FOX:** Yep.

**PAHLS:** Thank you.

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

**NICOLE FOX:** Thank you.

**LINEHAN:** Are there other proponents?

**BUD SYNHORST:** Good afternoon, Senator Linehan, and members of the Revenue Committee. My name is Bud Synhorst, B-u-d S-y-n-h-o-r-s-t, and I'm the president and CEO of the Lincoln Independent Business Association. And I want to thank you for the opportunity to be here today to speak on behalf of both LB986 and LB987, so you can take my testimony twice. You don't have to listen to me twice. As all of you members of this committee are aware, the current property tax situation across our state is unacceptable. Wages and those on fixed incomes have not been able to keep up with the extreme growth of property taxes, and this issue is compounded when the recent high inflation is factored in. Property taxes not only cost business owners financially, it is also costly in terms of the time and effort necessary to complete and file the appropriate returns. The COVID-19 pandemic added unforeseen strain on businesses across Nebraska and impacted the lives of business owners in a major way. While their revenues in many cases were reduced, their taxes continue to climb. Now as business owners attempt to navigate the current uncertainty, it is more important than ever for government to create an environment of growth and opportunity for our business community. The Legislature has taken steps to ease the property tax burden on Nebraskans. For example, LB1107 provided relief using refundable income tax credits. This was an important step in the job of fixing our current tax system



is not finished. Nebraska still ranks among the highest tax-- the highest states when it comes to the amount of our property taxes. Individuals and businesses are still hurting, and it is up to this body to try to address the root cause of the problem, the local taxing authorities. While LB986 and LB987 only address school districts, it is a step in the right direction toward holding local authorities accountable. LIBA has long been prioritized, limiting the taxing authority to the previous year's tax asking plus Midwest CPI plus growth. This allows room for the needed growth within our community and subdivisions without levying too heavy of a burden on the taxpayers. It is important to point out that this only limits the revenue growth from property taxes. This would have no impact on other sources of revenue, such as state aid, grants or federal funding. It's a good bill to help address a major concern across our state. Our organization encourages the Legislature to take the necessary steps to address Nebraska's property tax issue, including advancing this bill out of committee, General File, and also want to extend our appreciation to Senator Briese for bringing this bill forward. And again, to your committee for allowing me to speak here today, and I'd be happy to answer any questions.

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

**BOSTAR:** Thank you, Chair Linehan. Thank you, Mr. Synhorst.

**BUD SYNHORST:** Yes, sir.

**BOSTAR:** You talked about holding the local political subdivisions accountable.

**BUD SYNHORST:** Correct.

**BOSTAR:** And I think one of the things that I tend to struggle with-- with some of these proposals is the idea that I should be making that decision instead of the voters of the political subdivision. Ultimately, why, in your opinion, should I feel that I have a better understanding of what the residents of a school district need from their leadership and therefore elected and should overrule their choices.

**BUD SYNHORST:** Well, I'm not sure I completely understand the question, but I think I know what you're getting at.

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**BOSTAR:** Why shouldn't I trust the voters who made this decision to choose the people who were making their decisions?

**BUD SYNHORST:** Well, they do get to choose the people that are making those decisions. And I think what the voters are saying is the-- as-- as property tax valuation or property valuations continue to go up, the political subdivisions and I'll just use them as a global-- global topic, the political subdivisions in most cases are continuing to take what we would classify as a windfall of additional revenue from property taxes. And so, therefore, we're trying to say it's time to slow the growth. Business owners didn't ask the government to shut down business last year, in the last two years. Business owners didn't ask the government to limit who could come into their place of business. The business owners did not ask government to say, you have to be closed, you can only allow certain people certain amount of capacity. So on that respect, the business owners are saying, we've struggled and we've been struggling for years. And as Senator Brieser pointed out in his opening, in many cases, property tax receipts are far exceeding the growth of the school districts. And so I think when we talk about those kind of things, I think we are looking for someone to step up and make a change in a decision.

**BOSTAR:** So and I think that there are fair concerns to be had by a lot of folks when it comes to these issues. And that's not really the source of my challenge with this. It's why shouldn't we trust the voters who elect the people who are responsible for those political subdivision to make the choice in their representation that aligns with what they want to see? Why should-- why should we in this room make that decision for them when they are empowered as voters to elect their own representation?

**BUD SYNHORST:** Well, I believe the voters elected everyone in the Legislature as well, so we're going to our elected officials saying if we have this opportunity to put this in state statute, let's go to the people that we elected.

**BOSTAR:** I tend to believe that the best government for things like this is the most local for the issue at hand. But thank you. I appreciate the conversation.

**LINEHAN:** Thank you, Senator Bostar. Senator Pahls.

**PAHLS:** Thank you, Chair. I agree to some degree with this, my peer here, but also say it. I feel what you're saying it's time to take a

look at this and take a hard look at it, and it might cause some issues with some of our schools. But we have to, like you say, as a businessperson, you have to take care of it. I'm not against that. If things have gotten out of control, we do need to bring them back in control. I do agree that also at the local level, but sometimes it just can't be helped there. Now I'm just going to switch gears for a little bit because I'm promoting something that I'm thinking about. So I'm using this time. We tax you, why don't-- listen, I'm not talking about residential now. Why don't we say we're going to move instead of 100 percent, we'll move it down 90 percent. We won't take your money anyway initially. We won't take the money away from you because now we take the money and then we sort of give it back to you in a credit. Would you think that we ought to be lowering the rate of how we tax residential properties from a 100 to 90?

**BUD SYNHORST:** Maybe.

**PAHLS:** Well, that would be--

**BUD SYNHORST:** I don't know. I'd have to think about that some more.

**PAHLS:** Well, you'd gain some money, I mean, because we wouldn't tax you as much, 10 percent less.

**BUD SYNHORST:** But what if my property valuation goes up 30 percent or 35 percent like it did a couple of years ago and you're only taxing me at 90 percent, I'm still paying more in taxes, even at 90 percent and 100.

**PAHLS:** Right, if--

**BUD SYNHORST:** I mean, that's-- I mean, Senator, that's a case that I've experienced and I've seen a lot of people experience. I hear from members and owners of businesses of, you know, that in some cases, commercial properties are exponentially being valued. And so even if you go to 90 percent or something like that, you know, and I think about ag land. You know, ag land has grown.

**PAHLS:** Always has.

**BUD SYNHORST:** I know. I know we've lowered that, but the valuations of ag land are growing exponential-- exponentially as well. And I also believe that originally when we have-- when we talk about public schools, I think the state was the one that was going to fund public schools. And we pushed it--

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**PAHLS:** That's what I'm trying to find out.

**BUD SYNHORST:** --and we pushed it back down to the local school district, so.

**PAHLS:** OK, so--

**BUD SYNHORST:** --maybe it's time for the state to step up. Maybe this is a way for the state to step up.

**PAHLS:** That's what-- I'm trying to find that solution. What-- what is that? It's got to be taxed somewhere. One more-- one more-- go away. But if your property tax eventually over time, I would say, then 10 percent, you'd probably make more than we're going to give you in this round. I just-- something tells me this. I'm just trying.

**BUD SYNHORST:** I can't do that quick of math, sorry. (LAUGHTER)

**PAHLS:** You're just-- I'm just-- because that's something I think we ought to take a little interest in, I appreciate that.

**BUD SYNHORST:** Well, and I think just generally speaking, I think our business owners and our members, we talk about taxes a lot. We talk about government regulation a lot. And I think we need to have a lot of conversations about our tax structure, period, and and how we're doing it. So, you know, there's value.

**PAHLS:** Thank you.

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

**BUD SYNHORST:** Thank you for your time.

**LINEHAN:** Are there other proponents? Hi.

**BRENDA MASEK:** Good afternoon. Chairman Linehan, and the members of the Revenue Committee, my name is Brenda Masek and I am the current president of the Nebraska Cattlemen organization and I'm here today not only to represent--

**LINEHAN:** You have to spell your name.

**BRENDA MASEK:** My apologies, Senator. Brenda Masek, B-r-e-n-d-a M-a-s-e-k. I am here on behalf of both the Nebraska Cattlemen and the Nebraska Farm Bureau. And we are testifying as a proponent of LB986

and seven and again, like my previous said testifier, you only have to listen to me once. And we would like to express our support and the concept of both LB897 and LB896. The Nebraska Cattlemen policy states the association support protocols that cap, reduce or limit the amount of property tax dollars that schools can levy for education funding. After our initial analysis of LB987 and LB986, we believe that both are a good start to the conversation about how the pieces of both bills could be combined to form the greater good of all parts. For LB906 (SIC LB986), we appreciate that the bill maintains local control, but allows for 25 percent majority of the school board members to vote to increase property taxes by a certain percentage based on enrollment numbers. We also appreciate that LB8-- excuse me, LB986 requires the school's property tax, excuse me, requires the schools property tax request to decrease proportionately with the increase of state and federal funding. For LB987, we appreciate the simplicity of this bill. Limiting school districts to the greatest of 3 percent or the percentage increase of CPI is consistent year to year and straightforward. Additionally, thank you. Additionally, the percentage increase of CPI allows for school budgets to account for inflation. When inflation exceeds more than 3 percent-- kind of know what that's like-- both of our organizations believe we need to have adequate funding for education. However, we need a better balance on who pays for the services schools provide to our children. I'd like to thank Senator Briese for your continued support of property tax relief for Nebraskans. LB986 and LB987 are another good step towards reform and equality in the ways landowners pay for education. For these reasons, we support this soft cap concept for these bills and look forward to continuing conversation on this particular topic. Any questions?

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

**BRENDA MASEK:** All right, thank you.

**LINEHAN:** Are there other proponents? Any other proponents? Opponents? Hi.

**CRAIG BECK:** Hi. Good afternoon, Chairwoman Linehan, and members of the Revenue Committee. My name is Craig Beck. That's C-r-a-i-g B-e-c-k and I'm the senior fiscal analyst at OpenSky Policy Institute. While we appreciate that the intent of the bill is to reduce Nebraska's historical overreliance on property taxes, we nonetheless have concerns about this bill. As such, we oppose LB986 for three main

reasons. First, it caps total revenue, not just property taxes. Second, it puts schools at risk of violating the federal American Rescue Plan Act, or ARPA, and third, it will operate in conjunction with other existing limits on schools in a way that will force cuts for many school districts. LB986 will cap schools total revenues at two and a half percent, the Consumer Price Index, or a series of other mechanisms, whichever is highest. Modeling, however, shows that these other mechanisms will rarely exceed either the two and a half percent threshold or the CPI. Using all nonproperty tax revenue as proposed in LB986 means the cap would apply not just to property taxes but to all sources of revenue, including federal funds and private donations. That means the districts property tax request authority would need to go down any time it received an increase in any type of nonproperty tax revenue. As an example, if the school district raised funds from private donors for a specific purpose, like a football field, the district would then have to reduce their property tax request authority by the amount they raised. The constant need for districts to adjust their property tax request authority in response to fluctuations in other revenue sources means that school districts may see their requests change significantly every year. This volatility will make it harder for school districts to budget, and it would increase their administrative burden-- burden, excuse me, as they need to be constantly calculating which of the mechanisms by which they can increase their authority will be highest in a given year. Second, LB986 puts schools in violation of the American Rescue Plan Act, or ARPA, by forcing schools to reduce their property tax requests authority by the amount of federal funding they've received, which is prohibited by federal law. If schools have to use federal funds to lower property taxes instead of the intended purpose of those federal funds, they will be in violation of the statute, which speaks to the unintended consequences of caps in general. You can't always predict the consequences of measures like the one proposed in this bill. Third, we're concerned that this new limitation would work in conjunction with the other various spending and levy limitations to reduce schools revenues over time. Even if a district has property tax authority, it may not be able to access all of it due to these other limitations and then struggle to maintain service levels for its students. For example, we modeled a look back which didn't account for ARPA funding, in which two of the four school districts would have seen reductions when compared to their actual property tax requests, even if the board had elected to override the cap. As a result, we oppose LB986 and we would urge you not to advance it out of committee. Thank you for your time and I'm happy to answer any questions.

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**LINEHAN:** Thank you. Are there any questions from the committee?  
Senator Pahls.

**PAHLS:** Thank you, Chair. ARPA seems to be a big issue. OK, let's set that issue aside.

**CRAIG BECK:** OK.

**PAHLS:** Let's just pretend it's not an issue or it will go away eventually.

**CRAIG BECK:** Uh-hum.

**PAHLS:** Would you be satisfied now, then what we're coming up with? Seems to me, ARPA is the big issue. If we do away with ARPA and make some tweaks, I think maybe--

**CRAIG BECK:** Well, Senator, I mean, I think it's-- it's easy in theory to set aside ARPA, but-- but it's certainly a very large concern for us, particularly from which base a school district would start under this proposal. If-- if revenues are high due to ARPA or revenues-- additional federal revenue is received via ARPA-- ARPA after this bill has been proposed or would go into effect, school districts would by-- by definition, have to reduce their property tax asked by any amount of federal funding. If-- if I theoretically set aside ARPA, I think we still had concerns with the bill, you know, in the sense that the-- the nonproperty tax revenue portion of it having to subtract that off of a district's property tax request authority is particularly concerning to us, as it does then become a cap on total revenue instead of just property tax revenue. And then I-- I also think that the existing spending restrictions and levy limitations that are currently in place would interact with this-- with this cap in a way that we believe there will be unintended consequences.

**PAHLS:** Is that-- what about just giving this a try? What we have-- have the schools see and then if we-- if it's a mess, then we have to come back and straighten it out. I think that's what people are saying. We're not doing anything. We're just-- we're just repeating and we hand out you some refunds. But I don't know if they're that significant myself because I don't get any since I rent and I do not own property, one of over 31 percent of people who rent.

**CRAIG BECK:** Sure. Well, we certainly understand your frustrations, Senator Pahls, and we certainly understand the frustrations of the committee and the Legislature. However, I don't think that-- that as

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this bill is written, that we would-- we would be able to support it, again because we've been modeling it. We haven't had a ton of time with it, but we're seeing that districts are losing revenue and we think there are some unintended consequences that would occur.

**PAHLS:** OK, thank you. I appreciate yours.

**CRAIG BECK:** Of course.

**PAHLS:** Thank you, Senator Pahls. Senator Friesen.

**FRIESEN:** Thank you, Chairwoman Linehan. So when you mentioned the ARPA funds because currently under the new guidance that are given, anything under \$10 million by giving to a school was basically you could spend it on anything you want. Is that what you believe ARPA funds?

**CRAIG BECK:** I would have to get back to you on that, Senator. I am not-- our offices are but expert, but I can definitely find that out and get it back.

**FRIESEN:** I think we need to look at it in that picture because if they could be used for anything, that means they could be reduced-- reduce property taxes one year and under this, they would reduce property taxes. And how would that look going forward then as they run out.

**CRAIG BECK:** Sure.

**FRIESEN:** Would the levy then continue to climb up to make up for those funds?

**CRAIG BECK:** Sure.

**FRIESEN:** And so if that restriction has been lifted and basically be used for anything else, how could that-- how would that fit in the (iNAUDIBLE)?

**CRAIG BECK:** It's my understanding that the ARPA funds have specific purposes for which they can be utilized. Again, I will double-check that and get back to you if that is incorrect. But-- but that is our concern that if those ARPA funds have required purposes for which they must be spent and then if they-- if school was to receive an influx of those funds and then it would have to be subtracted from the property tax.



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**FRIESEN:** That's, I think, where we disagree is maybe I think the restrictions have been lifted.

**CRAIG BECK:** OK, I will definitely look into that.

**FRIESEN:** Thank you.

**CRAIG BECK:** And get back to you. Thank you.

**LINEHAN:** Thank you, Senator Friesen. Are there other questions? I just have one. Is there a number or a limit that OpenSky would agree to if it's 3 percent inflation? Is there any kind of limit on tax taking increases? Meaning how high your taxes? Is there any (INAUDIBLE) OpenSky would support?

**CRAIG BECK:** I don't think I'm authorized to make that call, but I will definitely talk with the office and see if there's an answer that we can get you on that.

**LINEHAN:** Thank you.

**CRAIG BECK:** Okay.

**LINEHAN:** Thank you. Other questions? Thank you.

**CRAIG BECK:** Thank you.

**LINEHAN:** Next opponent.

**RACHEL GIBSON:** Thank you very much. I have a kid I have to go pick up, so I appreciate being able to-- to speak. Hello, my name is Rachel Gibson, R-a-c-h-e-l, M, as in Marie, Gibson, G-i-b-s-o-n. Thank you so much for opening up to-- to hear from folks about-- about this bill. I am the director of education policy for the League of Women Voters of Nebraska, and we are a nonpartisan organization that encourages active and informed participation in our government, which includes, well, research advocacy of policy. Hence, we are here today. So I'd like to thank the committee. Thank you, Chairwoman Linehan, for this opportunity to speak today. And thank you, Senator Briese, so much for introducing this bill. I've watched the education policy over the past few years, and I know that there's a lot of folks on this committee who have been working hard to figure out how to-- how to address our-- our situation. So with that said, we went back and forth to be totally transparent as an organization of whether we could come in neutral or we would be opposed to this. And it ultimately landed that as it being

a lid and removing that local control was what kind of tipped us over to the opposed. So I'd like to touch on a few things that we-- we really do like about this. With that caveat of that's the dilemma, right? So as written, it's in direct conflict with with our-- our foundational idea of local control. We really do appreciate that it's been written to take into account the intricacies and the inner workings of school budgets and that there's some flexibility there. We also very much support this idea of shifting the heavy reliance away from property tax because we recognize that that is an issue and move it to increase financial support. I think we share some of the concerns that Senator Pahls is bringing of where-- where exactly does that come from? We also are excited this year because we've seen a lot of bills come up, some different conversations about how we really could look at school funding. And so we're hoping that there's a comprehensive approach to how we address-- address this issue. And although this has good elements, the lid and the fact that it's one sliver of a bigger picture is what gives us pause. So in general, our funding system, as you all know, is very complicated, and this-- the solution needs to meet the nuances without adding more complication. And that is part of our-- our concern with this bill. So we ask that you not move this out of committee, however, taking some of the pieces of it and perhaps put it in a larger big picture with some of the other pieces of legislation we've seen come out this session. So thank you very much for letting me speak, and I'm happy to answer any questions.

**LINEHAN:** Thank you, Ms. Gibson. Are there questions from the committee? Thank you.

**RACHEL GIBSON:** OK, thank you very much. I can go get my kid. Thanks so much for letting me go.

**JACK MOLES:** Good afternoon, Senator Linehan, and members of the Revenue Committee. My name is Jack Moles. That's J-a-c-k M-o-l-e-s. Excuse me. I'm the executive director of the Nebraska Rural Community Schools Association, also known as NRCSA. Today, I'm also speaking on behalf of Nebraska Council School Administrators, Nebraska State Education Association, Schools Taking Action for Nebraska Children's Education, the Education Service Unit, Coordinating Commission and Stand for Schools. On behalf of all these organizations, I'd like to testify in opposition to LB-- both LB986 and LB987. It is our belief that locally elected Board of Education members have worked hard to keep property taxes as low as possible, and most of our districts, these local property taxes make up the largest portion of all receipts

as they-- as they have lost much, if not all of their equalization aid. These board members have been elected to handle the tough job of balancing the needs of their students and schools with the knowledge that they must also be good stewards of local property tax dollars. They are the ones who are responsive to local property owners. In most of these districts they have demonstrated this by lowering their levies when possible. They do this while already working within state mandated budget and levy limitations. We believe these locally elected boards of education should be allowed to do their job without more state-mandated restrictions. On another note, a very concerning aspect of the work these locally elected boards of education are starting to deal with is a growing crisis in the workforce. They're faced with a growing teacher shortage issue, not to mention a shortage of noncertified employees such as paraprofessionals, custodial maintenance workers and bus drivers. They're working against competition outside of the schools. For example, about a month ago, the state announced an increase in correctional workers starting salaries or starting wages from \$20 an hour to \$28 now, about a 21 percent increase. I served as superintendent at Johnson County Central Public Schools. Tecumseh is where my office was right next to the correctional facility. I understand the issues they have and I support them. That was a good move that had to be made. Just this week, Senator McDonnell introduced LB1055, which would use federal COVID funds to write \$5,000 bonuses to frontline nurses. We've got a short-- shortage of frontline nurses. We need to address that issue. The fast food businesses are experiencing worker shortages. They're raising their salaries greatly. Just talked to a superintendent today. What McDonald's is paying as a starting wage in their school district, they can't compete with that with most of their noncertified staff. The districts are also seeing examples of growing competition between schools. For example, many schools statewide found it necessary to substantially increase their daily wage for substitute teachers as they're competing so heavily with their neighbors. And then several rural superintendents told me recently that just over the last couple of months, they've had to raise the wages of their bus drivers just to get bus drivers. That's during a budget cycle, not going into a budget cycle. That's something they didn't budget for. I believe we are nearing a crossroads in which school boards will be faced with increasing compensation for both teaching staff and noncertified staff to properly staff their schools. Another financial limitation placed on them by the Unicameral would make it-- make what will already be a difficult undertaking, even that much more difficult. So in closing, the above organizations are opposed to LB986. We're certainly

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sympathetic to overreliance on property taxes in the current school funding structure, but we don't think this is the avenue to address that. Thank you.

**LINEHAN:** Thank you. Senator Pahls.

**PAHLS:** Thank you, Chair. I hear what your telling, what you're telling, Jack, but apparently people aren't listening, are they? They don't understand the issue because when you have the Chamber of Commerce supporting this and you have some of us sitting around the table, at least something like this. I mean, the cattlemen, these are people out there in your world who are saying something is wrong. Apparently, they-- they believe the same way with the Platte, that the schools, because most of it is the schools are out of control and you're telling me they're not.

**JACK MOLES:** I would agree with them that there's an issue. There's a problem. We totally agree. There's a-- there's a property tax problem. In most of our districts they've long lost their-- their equalization aid. Give you an example, the district I was at was at about a million seven one year, and this was a couple of years after a merger in which we were doing that to bring more people more together so we generate actually more state aid. Within about six years, all of that was gone. So the-- the local taxpayers had to pick up the bill for the state money they were no longer receiving.

**PAHLS:** Have you been involved at all with Senator Lindstrom and Senator Walz for doing TEEOSA?

**JACK MOLES:** Yes, sir.

**PAHLS:** That seems like that would help a little bit of the property taxes. You would be getting more money out to a number of the schools who did not get any.

**JACK MOLES:** Yeah, it doesn't address every school, but it goes a lot-- it goes in a much better direction than where we're at now, yes.

**PAHLS:** Yeah, I saw this in only two schools would really need, but there's something is there. You tell them they have all these needs and I don't know if people, do they believe it outside of the school, and the school board.

**JACK MOLES:** I believe more people-- I think we have a silent majority that do believe it.

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**PAHLS:** Well, then they're going to have to speak up.

**JACK MOLES:** Yeah.

**PAHLS:** I'll be honest with you. They're going have to say, no, this-- to me unless we-- we need to do something and If we don't, it'll just keep going the way it is. Thank you.

**JACK MOLES:** I agree with you. If we keep going, we're-- could be bigger trouble.

**PAHLS:** Thank you.

**LINEHAN:** Thank you, Senator Pahls. Are there any other questions from the committee?. I'm just going to do this so we have it on the record. Do you know how much Nebraska public schools got in COVID funding over the last two years?

**JACK MOLES:** I'm sorry, Senator.

**LINEHAN:** How much funding from the federal government has Nebraska Public Schools received over the last two years?

**JACK MOLES:** I don't have that.

**LINEHAN:** You have no idea?

**JACK MOLES:** I haven't looked at that number in a while.

**LINEHAN:** OK. You mentioned in your testimony that several of your schools have lowered levies. Can you get the committee a list of your member schools who have lowered their tax taking in any of the last three years?

**JACK MOLES:** I-- yes, I can put that together for you.

**LINEHAN:** The taking, not the levy.

**JACK MOLES:** Right, right. The total dollars.

**LINEHAN:** Yeah.

**JACK MOLES:** Yeah.

**LINEHAN:** All right. Any other questions? Thank you very much for being here.

**JACK MOLES:** You're welcome. Thank you.

**JASON BUCKINGHAM:** Good afternoon, Chairman-- Chairperson Linehan, and members of Revenue Committee. My name is Jason Buckingham, J-a-s-o-n B-u-c-k-i-n-g-h-a-m, and I'm the assistant superintendent for the Ralston Public Schools. I speak today on behalf of the Greater Nebraska Schools Association and the Ralston Public Schools, and I appreciate the opportunity to appear before you today. I appear before you today in opposition to both LB986 and LB987. GNSA is an entity, represents largest and in some instances the fastest growing school districts within the state of Nebraska. And as such, we have some concerns regarding the language proposed in both LB986 and LB987. As many of you are aware from your work on either the Revenue or the Education Committee, the imbalances in revenues from federal, state and local sources have long been an issue of contention. Simply creating arbitrary caps on property tax increases ignores a greater issue of the need of our state to develop additional sources of revenue to fund public education. These additional sources of revenue will provide our government with funds necessary to allow the state to take on more of their share in funding public education in Nebraska and provide property tax relief to our citizens. This bill as written only creates more tax and caps that are quite honestly unnecessary. Public school districts in our state already have-- are limited by our basic allowable growth rate, allowable reserve percentages and general fund levy cap of a dollar five. Addressing how the state will collect more revenue is a critical component in allowing a shift towards lower property taxes. Senator Briese has introduced bills in the past that have allowed the state to increase revenues, and we appreciate his work in that endeavor. I can tell you, I've sat in a couple of those hearings and they were not easy to sit through in the audience, much less to be the target of some of the special groups that very much want to keep their sales tax-- sales tax exemptions that they have. So anyway, I digress a little bit. Those sales tax exemptions, we feel, is the right direction to go. The state of Nebraska has many sources of untapped revenue that we-- we leave behind. Simply adding more restrictions to the ability of political subdivisions like public schools and their taxing authority is a half measure that we cannot support. Currently spending allocated to the department., Nebraska Department of Education's average 2.3 percent increase over the last 10 years, while the state of Nebraska is spending is the average closer to 5 percent. I've attached a spreadsheet with data from the Ralston Public Schools to illustrate the potential unintended consequences of adding additional levy caps. The top represents our

valuation and property taxation growth over the last four years. The bottom represents a scenario where growth in property tax asking is limited by the proposed 2.5 percent basic allowable growth. As you can see on the far right are funding totals between state aid and local property taxes are artificially restricted by LB986. Granted, we assume state aid would eventually catch up and allow us to recover some of the funding lost in property tax, but we'd constantly in a position where some of our funds are delayed by a year or more. In addition to the delay in funds, we're concerned about the state's ability to meet its obligations to the TEEOSA formula without tapping into new dedicated resources. And I'm going to skip over to the testimony I had for LB987. And I think the relevant part here to look at, as we look at caps specifically on-- on-- on valuation increases, if you turn to the back page of LB697 or the one that has a spreadsheet on it, this is just a look at over the course of the last 20 or so years of our valuation history that we've had at Ralston Public Schools. What's of great concern to us as we look at things like 3 percent caps, you can see that we had periods of time where 3 percent wouldn't have bothered us one bit. If you look at 2008 all the way through 2014, we didn't have an increase over 3 percent in any of those years. And matter of fact, we actually went negative in a few of those years. The market finally corrected itself. We had an assessor that has, in my opinion, done a great job of putting things exactly where they belong as far as market values. And you can see that correction really starts in about 2019, 2020, where the taxes or the valuation ended up where they are correct with what-- what homes are selling for in our district. As written, we wouldn't have been able to tap into that correction. We'd have been artificially at a valuation that's much lower than what the valuation of our district is. And as written, we have some major concerns about how that would affected us financially. So with that, it looks like I'm almost out of time. I'd be happy to answer any questions.

**LINEHAN:** Thank you. Are there questions from the committee? You're finance director, right?

**JASON BUCKINGHAM:** Correct.

**LINEHAN:** So do you know how much the Nebraska public schools have gotten in COVID funding in the last two years?

**JASON BUCKINGHAM:** I could tell you what our district got. I don't know if that'll be helpful or not. So just as a frame of reference, the allocations were put out based on title allocations so linked to

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poverty. Our district is a little bit higher in poverty than most of your districts in the state. For ESSER III, we received right around 4 million; for ESSER II, it was 1.8 million or pretty close to that, and then the first one, CARES Act, we were at 497,000.

**LINEHAN:** How many students you have at Ralston?

**JASON BUCKINGHAM:** We're about, well, if you count PK or not, we're about 300, if you count PK.

**LINEHAN:** I had another question, I can't-- anybody else have questions? Yes, Senator Albrecht.

**ALBRECHT:** I appreciate you being here and giving us some perspective on your charts and graphs. So you take a look at these percentages and you are the financial adviser, what did you do in those years when it was sparse and there wasn't a lot?

**JASON BUCKINGHAM:** So in those years, Senator, usually we would have state aid come in and where the equalization would come in and this will oversimplify it, but its needs minus resources, equal equalization aid. In most of those years, equalization aid came in and allowed us to bridge that gap to where we didn't see increases in valuations. One of the concerns that we have with the bills, as they're written, is there's not language to address local effort rate, which if you know much about the school, the TEEOSA formula, local effort rate is calculated based on your valuation. If valuations in our instance, we look at that year where we took an 8 percent increase in valuation, but we're capped at 3 percent of what we can tax. Equalization aid isn't going to bridge the gap for us. So that would be an instance where we would have a shortfall in the amount of revenue that we would have.

**ALBRECHT:** So when state aid does come in on those other years, I guess I'm looking at it like, it's landed in the lap of the Legislature because every school does it differently.

**JASON BUCKINGHAM:** Yep.

**ALBRECHT:** But if we have a cap and you have to-- to work toward that goal of keeping things in line, then we wouldn't have a reason to be talking about this, right? But when you bring in 5- \$6 million, what are you spending it on? What-- where's your priority to solve this?



**JASON BUCKINGHAM:** So I can tell you, we have the last school that we built that was new was 1972. So we've got aging facilities. We just passed a bond this year. It'll be our first bond in over 20 years that we've passed. So we're dedicating a good portion of that towards air quality improvement inside of our districts. We've got heat pumps that are-- the humidity level is very high in a couple of our buildings and we very much want to increase, or improve the amount of humidity control that we have in those buildings. We've added a couple of positions for learning recovery. So reading specialists at the elementary level, we've added those in. We've also been able to go to a one-to-one district technology for students. So I'm happy to report we're all the way down to third grade where we have a computer for every student in our district, for the kids that are PK through 2, we're three devices, or excuse me, we're three kids to every two devices. We weren't able to make that change. And if you look at us and our neighbors in the metro, we were one of two districts that weren't one-to-one at that time. So for us, we're funding is-- is somewhat at a premium, that very much helped us make some moves on some initiatives that we had probably been five or six years out and been able to do.

**ALBRECHT:** So that would have been worked into your budget, right? To be able to do that, hopefully.

**JASON BUCKINGHAM:** We would had to save--

**ALBRECHT:** If you didn't have the COVID relief coming.

**JASON BUCKINGHAM:** Yep, yep. If we were able to keep our expenses screwed down to where I could put money away each-- each year, which we tend to do in our districts in good years, we're going to get to a point where it would hit that financial goal and we would have moved to one and one.

**ALBRECHT:** And what's the bond issue that was passed?

**JASON BUCKINGHAM:** So we passed one to have work done in all eight of our schools in our district. We have one new elementary we're going to construct and then renovations. We have-- take a bird walk here. We have what are called open concept buildings, which means not very many walls throughout the buildings. You have a classroom right next to another classroom to another one. Not only is that not very conducive for learning now, it's also not very secure. So if we had an incident in school, we'd be-- we'd be hard pressed to try and get people to

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safety. So those have been priorities and that's our first phase. But we've got some other things we're going to do in each one of our schools.

**ALBRECHT:** And how much would that bond be?

**JASON BUCKINGHAM:** 83 million.

**ALBRECHT:** 83 million passed by a--

**JASON BUCKINGHAM:** I think we're at 58, 59 percent, pretty high.

**ALBRECHT:** So you probably had those bonds coming up and were they failing over the years?

**JASON BUCKINGHAM:** No, we hadn't tried it.

**ALBRECHT:** Never tried it.

**JASON BUCKINGHAM:** Nope. Nope. We had-- we had been very adamant in our school district in trying to keep our levy flat. We also had some debt from the last bond that we passed 20 years ago. And I'm happy to report we'll have enough levy this year that we'll have that bond paid off. But then we're going right back into debt again.

**ALBRECHT:** You bet. Yeah. Well, again, you know, just listening to the conversations here today, and I appreciate you sharing what you're doing. But when it comes to local control and we find people who the bond issues don't pass, they go to their board, they do it anyway, kind of thing, there has to be some-- some secure on our end too.

**JASON BUCKINGHAM:** Yep.

**ALBRECHT:** We're the ones. The public dollars are financing our schools. We owe it to the taxpayer too to talk about how this is going to be done.

**JASON BUCKINGHAM:** So if I can take a little bit of a bird walk off of that, I think you're referring to the Special Building Fund as being the source when bonds fail, the districts will use. We're at a position where we're all the way up against our levy. In the seven years that I've been doing this, we've had one year that we could levy in our special building fund. The rest of the time our-- our expenses are in operations.

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**ALBRECHT:** Operations, only.

**JASON BUCKINGHAM:** Yeah.

**ALBRECHT:** Yeah.

**LINEHAN:** Thank you, Senator Albrecht. Are there other questions? I know rules, Ralston, because of your situation, you are squeezed pretty tight because you're land locked--

**JASON BUCKINGHAM:** Yes, ma'am.

**LINEHAN:** --older homes never really-- a lot of expensive homes. So how much of your budget and you don't have these numbers, I can look them up but just to get-- get on the record. What percentage of Ralston's budget comes from the state, not just TEEOSA, but all of it?

**JASON BUCKINGHAM:** So if you want a combination of what we receive in transportation, if you want special education, if you want-- I can get you that figure.

**LINEHAN:** Yeah, it's-- is it more than-- more than you collect?

**JASON BUCKINGHAM:** So, so let's say just for purposes of general fund, we'll say we're around 38 million or so this year. We had just a hair under 10 million in state aid. I don't know the exact figure for our special ed transportation, but I could get that.

**LINEHAN:** OK. Thirty-eight million and you only get 10 million state aid?

**JASON BUCKINGHAM:** Uh-huh.

**LINEHAN:** OK.

**JASON BUCKINGHAM:** So, and one of the reasons that number is cut so much, the formula is worked as it should. When our valuations have gone up, our state aid has gone down because we stay pretty static for the most part in our enrollment.

**LINEHAN:** After 2009.

**JASON BUCKINGHAM:** Mm-hmm.

**LINEHAN:** OK, thank you very much. Other questions? Thank you for being here.

**JASON BUCKINGHAM:** Thank you.

**DAVE WELSCH:** Morning or good afternoon, Senator Linehan, and the senators. I have a three-minute presentation here. It's the first time I've been here where you've given us five minutes, so.

**LINEHAN:** If you're nice friends. (LAUGHTER)

**DAVE WELSCH:** Good afternoon, my name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I am a farmer and currently serve as president of the Milford Public Schools Board of Education. I have served as a school board member for over 30 years. I'm also here representing the Nebraska Association of School Boards, an organization which represents 260 school districts and yes, used across the state. There are a total of 1,700 locally elected school board members in Nebraska. I'm here to testify in opposition to LB986 and LB987. LB986 and LB987 are two bills, which will take away the authority of locally elected school board members to fulfill their elected duties. No one knows our 244 school districts across our state better than the local school board member. Oftentimes, they have lived in the district their entire lives. They do business in the community. They send their kids and often grandkids to their schools. They live and breathe and understand all aspects of their community and school. So why is the Legislature trying to take away this locally elected ability to govern our schools? Is it because schools are spending too much money? The answer is an emphatic no. According to an analysis based on data from the U.S. Census Bureau of School and State Spending, from 2012 to 2020, state spending has increased by 3.17 percent on average per year, while schools cumulative spending has increased by 3 percent. Milford Public Schools has increased spending by an average of only 2 percent in that same time period. So it looks like the schools and the state are doing an equally good job of controlling spending. So spending is not the problem why our property taxes are so high. The answer is because Nebraska ranks 49th in the nation in state support of K-12 schools. You will have the opportunity next week to hear support for LB890 and LB891. These two bills will significantly increase state support for public schools and provide for needed property tax relief. This will be an opportunity for state senators to step up to the plate and provide the needed state resources to local schools so that the burden can be removed from local property owners and provide real property tax relief. Trying to control property tax requests may have unintended consequences. Some school boards may take a defensive posture and request the most property tax allowed by law at the time to buffer themselves from possible future legislative restrictions. An

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example of this would be that in the past couple of years, there's been proposed legislation that would take away our NU's budgeting authority. Local boards should have the freedom to set their property tax requests to meet the needs of the students and not having to worry about future legislation. I encourage you to support local control of public schools and stand opposed to these bills. Thank you, and I'd be happy to take any questions.

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

**DAVE WELSCH:** Thank you.

**JOHN HANSEN:** Chairman Linehan, members of the Revenue Committee, happy new year. For the record, my name is John Hansen, Jo-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union, and it is, of course, my pleasure to once again discuss with this committee matters relative to state funding of K-12 education. I want to thank Senator Briese for bringing his two bills and as we have had previous discussions with Senator Briese and also members of the committee, over an extended period of time, it is our organization's general assessment that noting that there are potential exceptions. That for the most part, as you look at the issue of property taxes in the state of Nebraska, especially relative to how they are connected to K-12 education, that for the most part there is to a much more substantial degree, a funding issue than there is a spending issue. And so we have not been historically supporters of lid's, although I would say that LB986, Senator Briese, is we like-- we like that one less or we dislike it not as much as the other, but we find it more creative, more flexible, more inventive. But at the end of the day, it is a hard thing for us who represents rural interests to get past the business that right at two-thirds of all the schools in the state of Nebraska do not get state aid to education dollars to operate 95 percent of the cost of their schools. And so then, here we are not giving them any money, giving them plenty of mandates and then putting-- saying that we're not giving you state money. You're going to have to use all local money. And so you guys are misusing the local money that you need in order to operate the schools that we charge you with operating. That just doesn't seem like a fair bargain. And so we are in support of increasing state aid to education and doing it in a fashion that causes all of the schools to participate in the benefits of increased spending so that we are providing base spending for the smaller schools. And the thing that has struck me in all of the years that I've been doing this, is the-- just the dramatic differences of

interest and particulars between large urban schools and small rural schools. They are-- they are-- yes, they're all schools and yes, they all have the same responsibilities. But it is a night and day difference between operating a large urban school and operating a small rural school. And at the end of the day, I have spent time in my past helping my local school with their budgeting needs and helping them through that part of the process and there was no other source of revenue. And so then it gets to be that local judgment. Are you better off to spend a little more money this year and fix the roof and do other kinds of basic things that need to be done? The longer you wait, the more it's going to cost. And so all of those nuts and bolts decisions and the-- after it is all said, we do trust local folks. For the most part, they are very conscientious and yet they're responsible and that they are the folks who best know and understand what it is that they need to do in their district in order to fulfill both their obligations to educate kids and also do it in the most cost effective way. So should there be some sort of package that increased state aid to education and made sure that rural schools got-- got some healing up in that process? We'd look at-- we'd certainly look at some form of aid differently. Thank you very much, and I'll be glad to answer any questions if I could.

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

**JOHN HANSEN:** Thank you very much, and good luck.

**LINEHAN:** Thank you. Other opponents?

**BETH BAZYN FERRELL:** Good afternoon, Chairman Linehan, and members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials, and I'm appearing in opposition to both LB986 and LB987. I try to consolidate my testimony for both of them, so if you'll bear with me, I will only be here once. NACO has no comments about the school finance formula, but we're here to express concerns that this bill will create unnecessary confusion for taxpayers when they receive their tax statement. As you know, county assessors set values; county treasurers generate tax statements and collect taxes; county boards levy taxes and county boards of equalization your property tax protests. Because of their familiar faces in the courthouse, the public comes to these county officials with questions about taxes, and rightly so. Under these bills, the statement taxpayers will receive will cap levies for schools, but not the

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principal and interest on bonds. Last year, LB2 reduced the valuation for school bonds. Of course, we know that ag land is valued at 75 percent. When we start to look at the different levels of value and different rates and caps and so on, based on counties experiences interacting with taxpayers, we believe that this will be confusing to taxpayers when they look at their statements and have all of these different levels and amounts. So we would just encourage you to consider that when you look at school funding and other property tax issues. I'd be happy to answer questions.

**LINEHAN:** Thank you. Are there questions from the committee? OK. Your concern is that it's confusing for the taxpayer?

**BETH BAZYN FERRELL:** If we start to have different levels of caps and valuations and so on, it's-- it's not like in the old days where you could take the levy back when it was the mill levy times the valuation and equal the property tax rate, and that's how much you paid. And you know, this body has added a lot of great things like homestead exemptions and the property tax credits and all of those things. And those are sort of easy to see because they're line items. Our concern was just that when you start doing, you know, a cap on this, and a different level of value on that, it's not as easy for taxpayers when they get their statement bill. OK, it's eight times B, equal C. So that was just simply our concern.

**LINEHAN:** OK. OK. All right. Any other questions? Thank you very much for being here. Other opponents? Anyone wanting to testify in the neutral position? Senator Briese, would you like to close? I'm going to have you close and then open again.

**BRIESE:** Sure. You bet. Thank you, Chairwoman Linehan, and I want to thank everybody that testified so far and heard some great testimony, I appreciate everything and just want to go through a few things. As far as NACO's concerns, I'll have to visit with them about that. I don't quite understand what the issue is there, but we'll talk about that. I did hear a couple of times, couldn't support this bill as written, and I think the implication is that this bill gets education a lot closer to something they can live with than maybe everyone's willing to admit right now. You know, we talked about the ARPA issue. If that's an issue, Senator Friesen suggests it might not be, but if it is an issue that can be taken care of with the stroke of a pen, really. We talked about wage hikes, inflationary pressures on costs. Well, we have an inflationary provision in here that hopefully will account for that and take care of that issue on both bills. And

someone was concerned about capping all revenue sources. Well, maybe the two and a half percent isn't the place we need to be. You know, I think Chairwoman Linehan asked someone, where-- where could they be? And we didn't get an answer yet. But I think, you know, maybe two and a half could be a little oppressive. I don't know. It was something we'd have talked about as a committee. Somebody else talked about the reduction in equalization aid, not be able to recapture that with the 3 percent limit. Well, that's kind of the beauty of LB986. LB986 would allow you to recapture an equalization aid, maybe not dollar for dollar, but maybe even slightly more than that. Just depends on how it would work out there. Others talked about school spending, and this is not really about school spending. We can look at U.S. Census Bureau data and compare per pupil spending in Nebraska to other states, but I'm not going there today. That's not what we're here to talk about really and-- and-- and really, one or two folks talked about the need to put more dollars into public education, more state dollars into public education. Talk about being 49th in the country or 45th whatever we are in terms of percentage of K-12 funding derived from the state. And I agree we need to put more state dollars into education. But that was one of the points in my opening, it's going to take a provision like this to allow us to do that. You know, the road to comprehensive education funding reform is really littered with the carcasses of multiple failures just in the short time I've been here. You know, we have struggled on that issue and it's going to take a provision like this that may have some flexibility, allow schools to grow, but protects the taxpayers when additional dollars are injected into education. So I think this is a bill that's close to something that I think a lot of people could live with, but it might take a few revisions. The testimony here today was helpful and something I think we as a committee need to talk about here at some point, so. With that I'd take any questions.

**LINEHAN:** Questions from the committee? Seeing none. Was this the picture-- that was with this bill or is that the next bill?

**BRIESE:** Yeah, that's one-- yeah, that's either one, yeah.

**LINEHAN:** But I just think, could you speak to this again? Because this is, I think, you know, picture says a thousand words, whatever. This like points to the problem.

**BRIESE:** Yes, yes. Property taxes the last 10 years have increased roughly 4.45 percent per year on average. Inflation's been running about 1.75 percent, and I think wage growth has been about 2.2



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percent. And that differential between wage growth, in particular, and property tax asking has increased, that's not sustainable, in my view if we continue on that path and just not a good thing.

**LINEHAN:** And that's why people are so angry about property tax.

**BRIESE:** Yes, yeah, I agree.

**LINEHAN:** Because they can't-- it's actually affecting their lifestyle.

**BRIESE:** Yes, it is. You bet. When we-- you know, we have homeowners paying an extra hundred bucks a month on their property taxes than what they pay in adjoining states and it's very troubling for a lot of folks. We try to keep young people on the farm, but yet we saddle them with property taxes three times higher than what they'd pay in neighboring states. That's not conducive to keeping young people on the farm and growing our state.

**LINEHAN:** Thank you. We had four letters for the record, two proponents and two opponents, and they'll be part of the public record. With that, we close the hearing on LB986 and we'll open the hearing on LB987.

**BRIESE:** Thank you, and good afternoon again, Chairwoman Linehan, and fellow members of the Revenue Committee. I'm Tom Briese, T-o-m B-r-i-e-s-e and I'm here to present LB987. LB987, when you look at the two bills, LB987 represents more of the hammer, I would say. LB987 is patterned after the amended version of last year's LB408 with a couple of changes. LB987 would, with several exceptions, generally limit property tax asking increases by school districts to the greater of 3 percent or CPI. LB987 also makes an exception. It's essentially 3 percent or actual-- plus actual growth or the CPI. Actual growth has averaged about nine-tenths of a percent per year. So in reality, even if inflation is running at less than 3 percent, the average cap would be closer to 4 percent. And I could-- I would suggest it's hardly onerous for anyone, especially when the families have to pay these taxes, their-- their incomes have been going up at 2 percent per year. But there are several exceptions, and as you may recall from last year, you know there first there's an exception I mentioned earlier about actual growth. That's defined as the increase in the tax base attributable to new construction or improvements. You know, this exception helps to protect the ability of growing districts, growing areas to fund the additional needs that result from this growth. Second, it will sunset in 2028. This was the result of some

deliberations last year, recognizing the need for some flexibility down the road and a reflexive belief on the part of the committee that we must and will someday achieve comprehensive education funding reform that may or may not eliminate the need for this cap. Third, it contains a rolling average provision to allow the local board to exceed the-- exceed the 3 percent, but then require a 3 percent average over three years. And this recognizes the potential for spikes and revenue needs, and I think this is something we did as a committee last year on LB408. I think it was in response to Senator Bostar's concerns and they were legitimate concerns and I think city of Lincoln talked about it then. But that's how it came to be, I think. And-- but it does-- it is-- it is little something of a confusing little provision in there, but it is workable. Fourth, LB987 excludes funds utilized to repay bonds. Next, the amendment contains an exceptions for amounts needed for capital construction necessary for fire and flood mitigation, and to address code violations for health and safety and accessibility concerns. And this really is just a reasonable, commonsense exception to ensure public safety is maintained. Next, it provides an exception for funds necessary to address the natural disasters and then provides an exception for those amounts necessary to pay that portion of wages and benefits mandated by an order of the Commissioner of Industrial Relations. It provides school-- schools an ability to exceed the limit by an amount equal to the reduction in state aid caused by an increase in valuation. Further allows a district to carry forward one-half of their unused request. And in the spirit of local control, it allows the voters to exceed the limit. And again, this bill reflects many of the concerns that were raised on the hearing on LB408 last year and concerns that we addressed in the committee and put forth in the committee amendment. The primary changes really are allowing-- the primary change really is allowing the limit to adjust for inflation. And that again, we might have to tweak that, you know, one-year look back-- a one-year look back at the CPI might distort where we want to be. And this is also directed at schools only. And we ask why only schools and, well, practical matter schools are the primary consumers of property tax dollars and-- and second, for reasons of consistent-- consistency, with LB1107 where we dedicated the new refundable income tax credit to property taxes paid on schools, I thought it was fitting maybe just to go this route at this point. And thirdly, it goes back to what I said in my opening on the previous bill. You know, there have currently been multiple efforts to increase funding for education at the state level, and I believe a cap of some sort really is critical to the success of those efforts. And I would suggest that the concerns of many schools have

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been addressed by the language in this bill. And so really here with this bill, we have an opportunity to send a message to Nebraskans that, you know, we hear their concerns on property taxes and we want to move the needle on this issue. And so with that, I would close and look forward to hearing the following testimony, and I'd be happy to answer any questions.

**LINEHAN:** Thank you, Senator Brieese. Are there questions from the committee? I have a question. I think some of last year when we were doing this, the 3 percent-plus growth, everybody didn't understand the growth and then when I tried to do it in my home where I live, Elkhorn School District, so they have a situation where they have a farm that's greenbelted, so they're only at 75 percent valuation, right? And-- and it's ag land so then they turn it into a development and then from the development, then it goes to lots. So you go from-- it goes from-- I think if we could get somebody to figure out how-- how much-- how growth can be measured, because I think that was the concern of at least the Elkhorn School District that they didn't have enough growth, when--

**BRIESE:** Right.

**LINEHAN:** So I don't know if there's a way to--

**BRIESE:** In here we define it as what improvements and annexations-- property acquired annexation.

**LINEHAN:** I think maybe what we need to add is when you change the property, change it from farm field to commercial or to residential.

**BRIESE:** Yeah.

**LINEHAN:** Because there's a big jump when that happens.

**BRIESE:** Yes, there would be.

**LINEHAN:** And it's three or four years before the houses get put on it.

**BRIESE:** Yeah.

**LINEHAN:** So we need to cover that in-between time.

**BRIESE:** Yeah.

**LINEHAN:** Does that make sense?

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**BRIESE:** Yes, I agree.

**LINEHAN:** Any other questions from committee? OK, proponents. Have any proponents?

**NICOLE FOX:** Hello again, Chairman Linehan, members of the Revenue Committee, Nicole Fox, N-i-c-o-l-e F-o-x, with Platte Institute and we are here in support today of LB987. And for brevity, I'll skip over some parts of my testimony, but I do want to reiterate that again during my LB986 testimony, I mentioned that a research indicates that 77 percent of Nebraskans are concerned about their ability to afford paying for their property taxes either now or in the future. And I'll also reiterate that 60 percent had favored a constitutional cap on the annual growth of property taxes. So I'll just kind of jump to the provisions that we support in LB987. They're very similar to those that we supported in LB986. So first, I mentioned that our economic landscape has changed significantly over the last 40 years or compared four years ago, and we have high inflation right now. And this bill would accommodate that reality for districts. And also, as I mentioned, the districts would still be required under the truth and taxation law that was passed last year to directly notify taxpayers and-- and hold public meetings to justify tax increases. Secondly, LB987 requires that there be a vote of the people to approve any property tax request that they-- that a school board was wanting to exceed. Requiring a no vote of the people would give taxpayers an opportunity to say no if the increases are felt to be inappropriate at the time or to approve an override if the board has made a good case for them. And I'm going to just kind of veer off my written testimony here. And Senator Bostar, I know that you had asked a question earlier about, you know, are people engaged with our local government officials and don't they have an opportunity to vote for their local government officials? And yes, they do. But I'll give a personal example, and that is when I think about my school board member, I do not agree with them, probably 95 percent of the time. And in fact, when my school board member had run for reelection, they were unopposed. And so a vote of the people, I think, is very important because there are-- whether it's, you know, your local school board member or your city council person, heck, maybe even your state senator, if you-- you know, if there's somebody in office that maybe you didn't vote for and they, you know, vote in ways that you don't agree with, this is kind of like a backup, I guess. So it's another opportunity for the public to be engaged. And then thirdly, I'll go back to my written testimony. LB987 has a provision to allow some degree of flexibility for their districts. So should a school district

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choose to not increase their property tax request by the full amount, they could elect to carry that forward half of that unused tax-- increase tax authority forward to future years. So in contrast to LB986, where we had a little bit of concern about being able to carry over the full-- full amount, this we do like that it only half of that unused property tax authority to be carried over, along with the bill sunseting in five years because it lessens our concerns of a single one-year tax increase. And I also note that there's the provision with the 3 percent rolling average. So anyway, with that, again, we think Senator Briese for introducing both of these bills today. I think he's put a lot of thought into them. I know he's listened over the years to testimony, and so we just thank him and I thank you guys for the opportunity to testify. So with that, I'll conclude my remarks and I'll answer any questions you may have.

**LINEHAN:** Thank you. Do we have any questions from the committee?  
Senator Bostar.

**BOSTAR:** Thank you, Chairman Linehan. Thank you. Is-- do you feel that CPI is the correct measure or corollary for inflation, for something like school spending?

**NICOLE FOX:** Well, I as-- as I understand it, CPI was worked into this bill based on conversations that Senator Briese had had and with-- with various individuals, and also it was-- it reflects what opponents with previous bills that he's brought forward had said when one of the complaints was that-- whatever, you know, whatever percent was being put forward, whether it was two and a half percent or 3 percent because I know we had a couple of other bills in previous years. That is why he, you know, so I'm going to say, I mean, I'm not a school finance expert, but if that is what the opposition was asking for in the past, I guess I would say that, you know, potentially it's appropriate.

**BOSTAR:** And I recall, you know, those conversations with Senator Briese, certainly last year and to try to make sure that, you know, if a policy like this were to be enacted that we didn't end up, you know, essentially defunding education if we had inflation rates that were higher than the lid. So putting something in-- I was just wondering if you had any thoughts on if that was the right measure or if you had other ideas, because I-- I was-- I'm going to try to look into it and certainly work with the senator on that question, but I was wondering if you had some thoughts.

**NICOLE FOX:** Yeah, I mean, we haven't done any any modeling, so I guess I can't really answer your question.

**BOSTAR:** OK.

**NICOLE FOX:** We're relying on the conversations that Senator Briese and members of this committee have had for that.

**BOSTAR:** Thank you.

**LINEHAN:** Thank you. Other questions? I'm sorry. Seeing none, thank you very much. Other proponents? Opponents?

**CRAIG BECK:** Good afternoon, Chairwoman Linehan, and members of the Revenue Committee, my name is Craig Beck, that's C-r-a-i-g B-e-c-k and I'm the senior fiscal analyst at OpenSky Policy Institute. I will be brief in my remarks. We oppose LB87 (SIC 987). We believe that LB87 would cap the amount of property tax revenue a district can access year over year. And this means that as a district's property valuation increases, the equalization formula will recognize the increased resources and assume the district can contribute more on its own and decrease state funding accordingly. The cap, however, would limit the district's ability to make up that revenue over time. While the bill does, as Senator Briese mentioned in his opening, provides schools with some ability to make up state aid lost as a result of property-- real property valuation growth from the prior year, it's only in the first year after the aid was lost. If, for example, a school district experienced a significant reduction in state aid in year one because of increased property valuation, it wouldn't be able to make up that loss in year two if the state aid stayed flat. That means the district will experience an over-- overall revenue loss over time. However, schools up against their levy limits would not be able to increase their property tax ask by the amount of state aid lost in some years due to levy and spending limitations already in place. Very briefly, before I conclude my testimony, I want to follow up with Senator Friesen on the ARPA exchange from the previous bill. Did some digging. The \$10 million conclusion that I believe you're referring to is only for state and local funds. It is not specific to the ARPA funds that are specifically provided to schools, and I have an example. So the Federal Elementary and Secondary School Emergency Relief Fund, which is a subset of the ARPA program that goes directly to schools, has language and I'm quoting directly from-- from the-- the act here that schools, quote, shall reserve not less than 20 percent of funds to address learning loss through the implementation of evidence-based

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learning. So therefore, just reiterating our concern, our concern is that those ARPA dollars are restricted in their use. And so having to subtract them from the school's property tax ask, tax ask-- excuse me, could lead to issues. Addressing Senator Bostar's question about CPI being an accurate reflection of school spending. We have done some analysis on this and CPI from-- from our perspective, and from its definition, typically measures the change in price-- prices of consumer goods and services. Schools, as we know, are largely-- their expenditures, are largely driven by costs of salary-- salary costs and benefits. Salaries and benefits are excluded from the CPI calculation. So while I don't have an adequate substitute at this point, our-- our position at this point would be that CPI is probably not the best measure to-- to reflect school spending. So with that, I will conclude my testimony. Thank you.

**LINEHAN:** Thank you. Are there any questions from committee? So you seem very knowledgeable about the federal funding. Do you know how much Nebraska public schools get in federal funding through the three programs total?

**CRAIG BECK:** Through the three programs total? I don't. I-- I could give you a guess on the ARPA specific for schools.

**LINEHAN:** What would your guess be?

**CRAIG BECK:** I think about 530 million would be my guess.

**LINEHAN:** OK, and that's not the first tranche, right? I think the number is 1.3 billion total.

**CRAIG BECK:** There's four schools specifically.

**LINEHAN:** Yes, public schools.

**CRAIG BECK:** OK. As I mentioned, I'm not analyst. Our offices are the experts, but I will definitely check that out for you.

**LINEHAN:** So if that's accurate, 1.3 billion and you said 20 percent had to go to learning loss.

**CRAIG BECK:** That is correct, but that is one of the stipulations. I know there are others. That-- that is just the one that I was able to pull quickly--

**LINEHAN:** OK.

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**CRAIG BECK:** --on those funds, so.

**LINEHAN:** The 20 percent. OK. All right. Other questions from the committee?

**CRAIG BECK:** Thank you.

**LINEHAN:** Thank you for being here. Other opponents?

**DAVE WELSCH:** Now shorten up some of my testimony as well from what's being handed out, but good afternoon, Senators, my name is Dave Welsch, D-a-v-e W-e-l-s-c-h. I'm a farmer and currently serve as president of Milford Public Schools Board of Education. I'm also here representing the Nebraska Association of School Boards. As stated earlier, in my opinion and in the opinion of the U.S. Census, spending, it's not a problem in public schools in Nebraska. We're spending pretty much at the same rate as you are as state senators. So if we have a problem, I guess you guys have a problem. So maybe we're both in the same boat there, I don't know. Jumping about halfway down my testimony and I'll refer to the other handout as well here in a minute. We currently at Milford have about a \$10 million budget, 6.4 million of that comes from property tax requests. So if next year's revenue is restricted to a 3 percent increase in property tax, that is an increase of \$192,000 of revenue. So with our current \$10 million budget, that would only allow it to grow our spending by 1.92 percent. Since most school budgets are about 80 percent staff salary and benefits, for Milford Public Schools that would be \$8 million. So the 192,000 of increased revenue would equate to a salary increase of just 2.4 percent, which doesn't come close to keeping up with the high inflation rates that we're currently seeing. And that would leave no money left for bus gas, utilities, and most importantly, upgraded school textbooks and curriculum. So are we supposed to cut staffing, turn off lights or quit updating textbooks? A good K-12 education is the first step in workforce development, and I thought workforce development was a priority in the state if it starts with K-12 education. In many rural communities the school is the largest employer. By restricting property tax requests it may result in reduction of staff due to the inability of schools to fully fund their previous years staffing budget. Again, I thought economic development was a priority for our state. So why are we restricting these communities largest employer? There's a connection there. Take a look at the handout. And I'd like to go over this. There's-- I mentioned in the last testimony that there can be unintended consequences. And if you look at the sheet on the ending cash balance in the year '16-17,



we had grown from 2.1 million of ending cash balance, which is about what the recommended amount is for a reserve for a school district . Over seven years it grew to 4.1 million. Why did that happen? That's because the state Legislature felt for us to receive our equalization aid, we needed to levy at least 95 cents. And so that's what we've done. We've always been an equalized school district. But what happened between 2010 and 2015? Ag land values doubled, had a higher valuation. Our levy-- levy should have gone down, but we couldn't. The Legislature said, no, you have to levy 95 cents to receive all of your equalization aid. And if we went below 95, not only did we lose that equalization aid, we would have had to make up for that lost revenue the next year. That's one thing I want to point out. Take a look under General Property Tax-- General Fund Property Taxes. 2016-17, we're at 6 million. Today, we're still about that level, 5.9 million. We've actually requesting less now, five years later than what we were in '16-17. Hopefully, you can make the easy connection there, the reason we were able to do that because look at the bottom line again, ending cash balance. The 200-- or the 2 million extra that we had accumulated over the initial seven years, we used that to help fund our budget. We don't have that resource anymore. We've given it back to the taxpayers. And just to make the point, we took \$2 million out of our local economy from 2009 to 2016 because the Legislature forced us into that situation. We would much prefer to have leave that-- left that money in our taxpayers' pockets. So now we're sitting at 6 million, don't have any extra reserves in the cash balance other than what's reasonable for a safety net there. So now we're at 3-- 3 percent growth. So that's where we're at. My light is red. I will respect that. And if you have any questions, I'd be happy to answer.

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

**DAVE WELSCH:** Thank you.

**LINEHAN:** Other opponents? Anyone wanting to testify in the neutral position? Senator Briese, would you like to close?

**BRIESE:** Yes, just-- thank you. And briefly again, I appreciate everyone coming in and testifying today, and that's-- that's what this process is all about. We need to hear from folks and get their ideas, get their suggestions, hear their concerns, and it's very helpful. And I did appreciate the comment that, you know, the public really does support additional caps or controls in education. Public education is valuable to Nebraska. Nebraskans understand the importance of it, but

they're also concerned about their tax, property tax burden and so are we. And that's what these bills are about. Trying to protect the Nebraska taxpayers, do what we can for them while ensuring that our schools can do the job that they need to do. And, you know, and some have suggested, you know, well, there's no problem in public education spending, and I'm not here to argue that point, but then I look at my data. I started to earlier to give a couple of schools examples of how their property taxes have increased in the face of enrollment declines and either no equalization aid or equalization aid actually going up on some equalized districts. And I've got multiple examples of that. So you do have those examples out there and I ask myself, why are-- what's going on there? So although most school districts are very responsible, most school boards are very responsible in their use and application of taxpayer dollars, there certainly are exceptions out there. And-- and again, when I go back to these bills and what we talked about earlier, you know, we all, or most of us agree anyway, we need more state dollars in public education in Nebraska. And you ask yourself, how are we going to get there, and having a reasonable cap and limitation in place, especially like LB986, possibly LB987 that can, I think, pave the way for those efforts in the future and that can help us get that done sometime down the road whenever that may be. So, thank you. Be happy to answer your questions.

**LINEHAN:** Thank you. Are there questions from the committee? Seeing none. We had four letters, two proponents and two opponents, and that brings the hearing to an end.