

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee January 26, 2022

LINEHAN: Good afternoon. Welcome to the Revenue Committee public hearing. My name is Lou Ann Linehan, I'm from Elkhorn, Nebraska, and I represent Legislative District 39: Elkhorn and Waterloo. I serve as Chair of this committee. The committee will take up the bill in the order posted-- we only have one today-- outside the hearing room. The list will be updated, well, we'll not get into that. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. We do ask that you limit your handouts. This is important to note as this is a change from years before. 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 12:00 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 would ask you abide by the following procedures. Please turn off your cell phones and other electronic devices. The order of 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. 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, and I'm going to be really tough on the lights today. When the red one is on, you should be done. Wrap up during yellow. If there are a lot of people wishing to testify-- there are, but we're going to stick with the five minutes, but we're going to be militant on the clock. 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. It will be included in the official record. Please speak directly into the microphone so that our transcribers are able to hear your testimony clearly. I'd like to introduce committee staff: research analyst Kay Bergquist right here, and committee clerk Grant Latimer. And then I'd like to have the committee introduce themselves. Senator Pahls?

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

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

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LINDSTROM: Brett Lindstrom, District 18; northwest Omaha.

FLOOD: Mike Flood, District 19: all of Madison County and southern Pierce County, and I live in Norfolk.

BRIESE: Tom Briese, District 41.

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

LINEHAN: Thank you. Our pages for the day are-- if you'd stand up, please; thank you. Our pages for today are Natalie, from Norfolk, who's studying at Wesleyan-- international business-- and Thomas, who's from Omaha, and is at UNL, studying political science. Please remember that senators may come and go during our hearing as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and critical to our state government. And that, we will open the hearing on LB891. Senator Lindstrom.

LINDSTROM: Well, good afternoon, Chairwoman Linehan and Revenue Committee members. My name is Brett Lindstrom, representing District 18: B-r-e-t-t L-i-n-d-s-t-r-o-m. Today, I bring for your consideration, LB891, to change the distribution of sales tax revenue, to change school levy limitations and other tax and school provisions. I've been a member of the Revenue Committee for the past six years. I've heard countless hours of testimony from frustrated taxpayers concerning our property tax situation. As we all know too well, the state has an overreliance on property tax to fund our schools. Education has and always has been an important component of our state, and will be obli-- and we are obligated to fund our children's education. LB891 is an attempt to reduce that overreliance and provide meaningful, measurable tax relief to all Nebraskans while providing equitable funding for all school districts. Yesterday in Education Committee, several members heard LB890, which is the companion bill to my LB891. LB891 would repurpose the Nebraska Property Tax Incentive Act as enacted by LB1107 in 2020, to fund property tax through the TEEOSA formula. An annual growth cap would be inserted on the property tax credit growth equal to base limitation, exceeding the gambling dollars enacted last year. In addition, a half-cent sales tax from the

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state's current five and a half sales-- percent sales tax will be matched by the state and transferred to the equalization-- or Education Stabilization Base Aid Trust Fund. This ensures that the vast majority of Nebraskans and the 244 school districts would be eligible for equalization aid. Property tax relief will be immediately provided through a cap on the general levy fund at 95 cents, which may only be increased with a supermajority of the school board. Additionally, LB891 provides a special building fund. School districts would be allowed a maximum levy of 10 cents. The maximum levy would only be increased to 15 cents with a supermajority of the school board. Both general fund and special building fund levies cannot exceed \$1.05 without the vote of the people. This will provide a \$750 million-plus property tax relief package, if passed. The documents I've provided are model numbers that were provided by the Nebraska Department of Education and our projected calculations for each school district in Nebraska for years one-two, should LB890 and LB891 be passed in the Legislature. Also, there's a one-pager that, that you probably have in front of you, that provides a snapshot on the combination of what both bills do. And before I turn it over to questions and the proponents, this, this plan and this proposal, I want to thank everyone who's been engaged in this process. As you know, sitting here, it's not an easy task to, one, deal with property tax and do it in an equal way while providing equalization aid and significant property tax relief. This is not an indication or a slight on other people's bills that have been either debated on or up for the floor. I think we're all trying to get to the same point; it's just how we get there. To me, this is another version, what I view as sustainable long-term property tax relief. I think sometimes we get down here-- I know I've been guilty of this-- if they can-- it's a one-and-done. I look at this as building upon a foundation. How it ties into the overall tax policy, I think, complements what we're trying to do here, not only on the income tax side, sales tax side, property tax, but I can tell you that a lot of Nebraskans-- we've heard it in here, but even as I travel, they're frustrated with, one, the property tax, but two, the fairness issue, when it comes to providing funding for, for education. And having the disconnect with 86 school districts that get something and 158 that don't, to me, that really is, is where, not all of it, but a lot of the urban/rural issue resides. When property tax is, is the greatest burden, and the difference on where the sales and income tax goes here and then never, never coming back to the local areas, I think, is, is where a lot of the issues can lie. So I, I hope to have a good discussion today. I'll maybe talk a little bit more on how this fits into the overall tax discussion, as I see it, you know, just so we can debate that, but I,

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I appreciate everyone that's going to come in on both sides of this. And again, I want to thank everybody that's been involved, because this is a very complicated issue. But I think we're, we're getting closer with each step. So again, I'll open up to questions at this time.

LINEHAN: Thank you. Senator Pahls.

PAHLS: Thank you, Chair. You may have answered this or so you will be answering. Does this-- what you're proposing, is it-- does it run parallel to what we're trying to do in the other property tax relief? Or is it in conflict with it?

LINDSTROM: It's in-- so great question. It is in conflict, and I'll just-- I had the conversation with Senator Briese. Obviously, the bill that we-- it was LB723 that we moved today. It would be in conflict with the sources of revenue needed to fund this proposal. In this, in my portion, we carve off a half cent and sales tax, matching into the, the trust fund, and then we would take the LB1107 credit and take a portion of that to fund the, the necessary dollars needed to provide the equalization aid over the next couple years. As we phase this in, there's 29 school districts that would be held harmless in the first year, then it goes to six, and then two. We're, we're dealing specifically, in this case, with the needs side of the TEEOSA formula. But those-- yes, it is in conflict with, with other provisions out there. And that's why I wanted to say that this isn't a slight on what Senator Briese is trying to do or what anybody else has in store, but it-- to make this work, there are a couple of buckets of money that we'd have to go to; and that would be one of them.

PAHLS: OK. Because both of us voted for--

LINDSTROM: Yeah.

PAHLS: --the bill this morning.

LINDSTROM: Yeah. Well, I'm going to vote-- any time, and I think some of the senators who have been around-- I'm going to vote for property tax relief--

PAHLS: Right.

LINDSTROM: --every time because we-- as this plays out, you know, we're still early in session, the sense that we're about 20 percent of the way through. There are a lot more hearings that we're going to have that fit into this bigger tax picture and puzzle. But from a--

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from my principled standpoint of always supporting property tax relief, I'm going to vote for those things. We'll see how everything kind of plays out. And hopefully this gets-- you know, we'll see how it [INAUDIBLE].

PAHLS: OK, so in other words, it sounds like-- I'm just trying to, because I'm--

LINDSTROM: Sure, yeah.

PAHLS: --trying to be as upfront as possible. There is a conflict. So there-- if it does happen, and both bills move on, you're willing to negotiate with the other people, people who disagree, is what [INAUDIBLE].

LINDSTROM: Well, I always negotiate. I don't think both will be able to move on in that sense--

PAHLS: Well, that's what I mean.

LINDSTROM: --right? So but, but I've always been surprised down here when we may have a proposal and we think it might not go anywhere, but then we end up passing it. So there are other mechanisms and levers we can pull, but I don't-- at this stage, this is what the proposal is. We'll see how everything plays out. But yes, I'm always open to negotiation.

PAHLS: OK. Thank you. I appreciate your response.

LINEHAN: Thank you, Senator Pahls. Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So I haven't had a chance to probably look at these spreadsheets yet. But have you taken into account any of where, what the school districts look like in their loss of LB1107 monies, as it's currently compared to what's happening here?

LINDSTROM: Yeah, we have, and I think maybe some testifiers behind me can maybe dive in--

FRIESEN: OK.

LINDSTROM: --a little bit more on that. My understanding is that, with the 25 percent that we're, that we're getting up to on the, the credit, we are not going to-- in the first couple of years, we will not be able to reach that. And this is why-- what I'm trying to get at

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here, and the three things that stand out to me is, one, one of the criteria was no, no tax increase. That's why we have to go to the funds that we're going to. Local control is important to me, and I think this achieves that. And then, to the extent that we can, provide equalization aid. And this is why, when we talk about, kind of, the long-term, it-- you know, short-term, medium, intermediate, long-term planning, where is the committee? Where's the state? Where are we going to build the foundation to the overall tax puzzle, if you will, to get us in a position to build off of a foundation? To me, when you look at school funding and how this ties into the income tax, into sales tax-- 'cause we're going to have discussions on income tax. All, all the studies over the years, all the conversations that we have in here are always to lower the rate. We have to broaden the base, which is the sales tax provisions. I don't think, with this 1967 tax code that we have, if we're focused on this three-legged stool, to me, that's an outdated model of where we are in the economy. So if we're attempting to lower the income tax and provide property tax relief, that's putting more money in the pockets of Nebraskans. When we do that, that dollar can turn over in the economy five to six times. That money goes into the sales tax portion of how this fits into it. So I see this as a, as a broader attempt to get us in a better standing from a, from a foundation to build off of. And that's why I, I like this bill and prefer this bill. Again, it's simpler, in my opinion, that not everybody necessarily knows about the, the, the credit that you can take. This is a direct shot into TEEOSA that provides property tax relief, maybe not to the extent that the credit does at this stage, but I, I do think over time, we can get and, and surpass what it might, the credit might, might be at some point. So this is, to me is not a one-and-done. Again, we are-- we're 49th on the state funding. We're in the low teens, even in the region. This would get us up in the low, low 20 percent, but I don't see this as being done, by any stretch of the imagination, as to where we go, but I'm, I'm looking at this as the foundation.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Seeing none, thank you.

LINDSTROM: Thank you.

LINEHAN: First proponent? I don't think it's-- I don't know if I said in my opening we go proponents, opponents, and neutral. But if I didn't, you all know that. OK. Good afternoon.

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CHIP KAY: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Chip Kay; that's spelled C-h-i-p K-a-y. I'm here to testify as an advocate for equitable funding of public schools in Nebraska, and I'm currently working as the director of finance and human resources for Columbus Public Schools. I support LB891 Dr. Loeffelholz and I would like to extend our thank you to the many senators sitting on this committee, who graciously gave us their time to listen to the proposal that has become LB890 and LB891. As the sister bill to LB890, Senator Lindstrom has designed LB891 to be an effective, transparent, and sustainable way to ensure the necessary fiscal support of LB890, but also to use it as an avenue to bring about property tax relief through equitable school funding. LB891 sets the levy changes associated with LB890, lowering the general fund levy to 95 cents from \$1.05, and lowering the Special Building Fund from 14 cents to 10. If it keeps a combined levy lid of \$1.05, while also acting separately, it also keeps current levy override statutes in place. Most importantly, LB891 creates how the Education Stabilization Base Aid Reserve is funded without creating any new tax. This reserve is essential and funding the first component of LB890, and creates a way to ensure sustainable fiscal support for the TEEOSA model. You only need to look at examples like the Highway Trust and the Environmental Trust to know that there's a substantial component for education, LB890 and LB891. Nebraska public schools provide educational support for all students. At Columbus, we have a strong, parochial school system, yet they can't do it alone. When public schools are funded, then the supports, programs, and partnerships we have in our communities benefit all students. LB890 positively impacts 99 percent of the school districts and their communities, which is why it has received unprecedented support in the education community. LB891 is the avenue to accomplish this goal. LB891 shows the dedication of Senator Lindstrom to find answers and examine what impact can be made when investing in education. It results in multiple outcomes, including property tax relief. I would challenge those of you on the committee to work with Senator Lindstrom to make LB891 a transformational bill for school funding and sustainable property tax relief. I would like to thank the committee for their time.

LINEHAN: Thank you, Mr. Kay. Yes, Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thank you for being here today. Thank you for your work on this. You provided us with spreadsheets that show what happens in year one and year two. So we see in year two, we see a levy reduction from this, from this injection of dollars. What would your three and year four look like, fairly similar to a year two?

CHIP KAY: I, I think, with all things, with all things equal, the answer would be yes. It is obviously difficult to project into years three and four. When we did year three, assuming everything equal to year two, 242 out of the 244 districts had increased state aid.

BRIESE: OK, but there is a very disparate impact between districts on the impact of their property taxpayers. Would that be a fair assessment? Some property taxpayers in some districts would see a property tax decrease. Some property taxpayers in other districts would see an increase, and sometimes substantial [INAUDIBLE].

CHIP KAY: So I'm not aware of anybody that would see an increase. I know there are six districts that would have to be held harmless, so it would be a break-even. I'm sorry. Excuse me.

BRIESE: We are talking about repurposing the entire refundable income tax credit, though. Correct?

CHIP KAY: That is how I understand LB891 to read. Yes, sir.

BRIESE: Which represents a 25 percent reduction in school property taxes paid.

CHIP KAY: Yeah, if I understand that, that's an income tax credit for 25 percent of the property taxes for schools.

BRIESE: OK, thank you.

CHIP KAY: Yeah.

LINEHAN: Other questions? Senator Flood. Thank you, Senator Briese; I'm sorry. Senator Flood.

FLOOD: Thank you, Chair Linehan. Thank you for your testimony, and thank you for your work on this. I want to just call your attention to School District 59-0002, which is Norfolk Public Schools. I see under year one, they'd see a 33 percent levy reduction to 67 cents, rounded up. What authority would there-- OK, so that's a prediction. What authority would the school board of Norfolk Public Schools have for a levy, under the way your bill is written?

CHIP KAY: So each district has a calculated district, maximum specific-- district-specific maximum levy that's based on their total state and local spending authority. I believe the spreadsheet you're looking at, that should be the last number in the-- or the last column. So that would show their district-specific maximum levy.

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FLOOD: OK. So I, I guess I was looking at year one. It didn't have it on year one, but we can look at year two.

CHIP KAY: I apologize.

FLOOD: Oh, you're fine, you're fine. Oh, there it is. Sorry. You did have year one here.

CHIP KAY: The print is a little tiny.

FLOOD: Yes. OK, so their maximum levy would be 95 cents, according to your spreadsheet here.

CHIP KAY: So I'll explain how that works. It's a great question. So if you look around, you're going to see some districts that have less than 95 cents. And so the district-specific maximum levy is based on a calculation of property taxes needed, after state aid and other resources, to reach that, that number. For some districts, that will give them a district-specific maximum levy. Example, for Columbus, I think we're around 81 cents. Norfolk, if it calculates higher than 95, we go to the lid of 95 cents. So there are districts that had a calculated specific levy of higher than 95, so we dropped it to 95. That would be the case in Norfolk.

FLOOD: So here, here would be my concern.

CHIP KAY: Um-hum.

FLOOD: And it had nothing to do with any of your math or anything. It's a policy question. If right now Norfolk Public Schools have \$1.05, and included within that is the Special Building Fund levy right now. Isn't that correct?

CHIP KAY: Um-hum.

FLOOD: OK. So is the Special Building Fund levy outside of this 68 cents that they have here under this new bill?

CHIP KAY: So under the new bill, the 68 cents is just General Fund. And so then--

FLOOD: And then the Special Building Fund on top of that.

CHIP KAY: Correct.

FLOOD: So the Special Building Fund is, what, 12 cents? Or I can't remember if it's 12 or 14.

CHIP KAY: So it will be 10 cents in this proposal--

FLOOD: OK.

CHIP KAY: --maximum.

FLOOD: So really, they're at probably 78 cents by the time you add it up. Why-- is there any way you could limit, then, Norfolk Public Schools to 78 cents so that I, I can be sure, with the cap on that, that it falls? Because I think my support for this is really tied to the ability to know that it is probably tax relief because what could-- the worst case scenario for me is, we could put all this money into it and then you could have a local governing board, you know, making local decisions that say, Well, we're going to need the 95 cents plus the, plus this, plus the state money. And in essence, we have a lot more spending. Now I'm not saying Norfolk Public Schools would ever do anything like that. In fact, I, I'm pretty confident they wouldn't. But what is your policy answer for that concern?

CHIP KAY: OK, so I, I pre--

FLOOD: That's not a trick question.

CHIP KAY: No, no. I think that's a very straightforward and a very honest question, and I appreciate it, Senator Flood. So one thing about the district-specific maximum levy is, it is based on the formula. And so with 244 different districts, you have 244 different stories: that's valuation, that's needs, etcetera, et-cetera. So that district-specific maximum levy is a way to control that, that levy setting. In other words, that should be a calculation. Now, in this case, Norfolk is a district where it says they would need 68 cents, dollar for dollar, and they could go up to 95. I think that would be, you know, a substantial explanation, on Norfolk's part, to have to do that. I'm confident districts will, and, and local school boards will continue to be very conscious of what they tax taxpayers. Now the other thing to keep in mind-- we've not changed the spending limitation. So at 68 cents, you know, that's dollar for dollar. Well, if they've already reached their spending limitation this year, well, they can't get to 95. And I know that there's been a lot of discussion about districts. You know, we don't have spending limitations in LB890 or LB891, and I'm willing to present to the committee Nebraska Statute 13-500s, and the lid computation form that shows how spending lids are calculated already. So keep in mind-- and I think I will go ahead and present that to the committee. How about I keep a copy so I actually know what I'm talking about. Thank you. And I present this to the

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committee because I think one of the concerns about-- that you have, Senator Flood, is one that everybody would have. At 68 cents is great. There's property tax savings. Will they go to 95? What's keeping them from going to 95? And really, what it comes down to is, the LC-2 form, which is the lid computation form, is going to calculate total allowable budget authority. And then when you submit a budget, you have the adjusted general fund it cannot exceed. Therefore, the other part that's going to regulate that 68 cents, besides the district-specific maximum levy, which is new to this bill, Norfolk doesn't have that. They've got the 95, but the lid computation form is really going to limit what a district can ask. The next question would be: Well, you know, Chip, you're telling me that's a spending limitation. You're not telling me it's a taxing limitation. I would refer you to Page 2, which in the green circle is the most allowable cash reserves a school district can have on hand. If school districts overtax their patrons, they would be building up cash reserves. We're also capped on our cash reserve amount. So between levy lids, district-specific maximum lids, a lid computation on spending and budgeting, there's also a percentage cap on cash reserves. So I, I would, I would take the approach that there's plenty of things in place with LB890, and already in statute, Chapter 13, to ensure that they can't take that 68 to 95.

FLOOD: Well, I would just close by saying thank you very much for presenting a thoughtful approach to the problem. It's nice to talk about solutions.

CHIP KAY: Thank you, Senator Flood.

LINEHAN: Thank you, Senator Flood. Other questions from the committee? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So when I've looked through this-- and, and I do appreciate people finally starting to work on some projects and show some solutions. You know, when we first met was in Columbus, and since then I know you've made changes. And when I had Farm Bureau look at the numbers-- and 'cause they analyze things, I've always depended upon them-- we ended up sending some suggestions to you. And are you amenable to accepting any of those recommendations going back? And my concern is, I, I look at some schools here and they get a two or a four cent levy decrease, and their, their schools-- not necessarily in my district. I, my district probably comes out pretty well in this. But in-- and out in the Sandhills and some of the small schools out there, a two or four cent levy decrease, and yet losing their LB1107 money, it looks to me like they go backwards. And yet

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we've not really addressed the-- they have a high cost there because they have eight kids in a classroom. How do we, how do we help those schools? Because I think they, they deserve some state aid also, and this doesn't appear to me yet to be getting there.

CHIP KAY: So Senator Friesen, I would, I would say, first of all, thank you for, for the number of times you did sit and listen and provided some input to, to us. I know Jack Moles from NRCSA is going to get up and testify today. And, and NRCSA presented a proposal and testimony yesterday that Senator Walz's office is looking at the data, which would include a percentage of base funding, which I know is the Farm Bureau suggestion. That percentage may or may not be applied. I think it's all about running the data right now before doing anything else.

FRIESEN: Fair enough. Thank you.

LINEHAN: Thank you. Senator Friesen. Are there other questions for the committee? I have just a couple. How much spending authority does Norfolk have now that it banks or that they could access?

CHIP KAY: I do not know their unused budget authority, Senator Linehan.

LINEHAN: I think it would be helpful for the committee if we had schools, the schools and their unused budget authority that they already have available to them.

CHIP KAY: OK. I will ask Bryce Wilson if I can get that information.

LINEHAN: And then what in this bill-- the other thing, because one of the reasons we're here today is-- we've talked about for, probably ever since Senator Lindstrom has been in the Legislature-- the problem was valuation increases. In 2009, homeowners' commercial property kind of froze for a while, but ag properties went up. So now we're back to high oil prices and high prices are going to go up again, and homes are going up like crazy. So OK, we lower the levies, but what are we doing about valuations?

CHIP KAY: That's a great question, Senator Linehan, and because valuation is not addressed in TEEOSA, nor is it set or controlled by a school district, we chose not to have anything that would muddy that water in, in LB890 or LB891 by adding controls on valuation. I admire the Legislature for addressing that. That probably needs to be someplace else in statute.

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LINEHAN: So there's nothing in the bill that protects us from 10 and 20 and 30 percent increase in valuations, which, multiplied by a levy that's 25, even if it's 25 percent less, still means the taxes are going to go up.

CHIP KAY: No, Senator, there's not because it's not currently in TEEOSA right now. So we didn't-- we tried to stay within the scope of TEEOSA.

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

CHIP KAY: Thank you, Senator Linehan.

LINEHAN: Next proponent?

TROY LOEFFELHOLZ: I always trip on this chair.

LINEHAN: Good afternoon.

TROY LOEFFELHOLZ: Yeah, good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Dr. Troy Loeffelholz, and that is spelled T-r-o-y L-o-e-f-f-e-l-h-o-l-z. I come here to testify as superintendent of Columbus Public Schools. I feel it's our purpose and responsibility to advocate not only for Columbus Public Schools, but for all Nebraska public schools, their staff, and their students. Therefore, today again, I'm in support of LB891. According to the Nebraska Constitution, "The Legislature shall provide for the free instruction in the common schools of this state of all persons between the ages of five and twenty-one years." To meet this obligation, the Legislature has established taxes to provide funding. The Legislature said only local funding can use property tax to fund schools and other local subdivisions. In 1990, the Legislature adopted LB1059, the Tax Equity and Educational Opportunities Support Act, referred to as TEEOSA. A couple of intent bullet points of the Legislature set out specific objectives back in 1990, to be achieved through the new school finance system: 45 percent of the general fund operating expenditures of school districts; reduce the reliance on property tax; broaden financial state income tax for support of the system; assure each district a foundation support level for the operation of schools; assure a greater level of equity of educational opportunities for students in all districts; assure a greater level of equity in property tax rates for the support of the public school system; and assure that there is a shift to sustainable revenue, revenue resources other than property taxes. We feel that LB891 works towards each of

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these bullet points addressed in 1990. All of these have been bullet points that the Legislature has struggled to accomplish in the past 30 years. LB891 reestablishes a dedicated 20 percent of all income tax receipts and creates sustainable revenue sources in ESBA to ensure stabilization funding and state support for schools. In a quick recap of the LB890 night hearing, the conversation kept circling back to LB1107 and its funding. I'd offer that, when thinking about funding property tax relief, the legislative body should think about diversifying its portfolio. Like all other personal investment portfolios, we don't put all of our money in one fund in fear of sustainability. The same conversation could be made in regards to LB1107 and LB891, and any other property tax relief mechanism. LB1107 is an income tax reduction and not directly related to property tax relief. Maybe there is an answer to lowering property taxes on the front end and a rebate on the back end. I've had conversations with members of my family who farm up north of Kearney, and the only thing they remember is writing the up-front check for property taxes and not the refund. ESBA and the allocated income tax helps all districts meet each of the school district's diverse needs. ESBA and the allocated income tax equates to over \$700 million in property tax relief. This levy room allows flexibility and works as a way to address things like addressing teacher salaries and growing student populations in districts. This works for all school districts and still allows for local control. Some have asked for the ability to secure 20 percent base funding for all district, all districts. This could establish, up front, 20 percent in property tax relief. Again, working on diversifying the portfolio could mean much more if done right. LB891 is a viable solution as it stands. This package of bills does address school tax levies and property tax reduction. There could be other avenues to reach the same result through amendments and other funds, again, to diversify the portfolio. And thank you for allowing me to come in and talk about LB891.

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

FRIESEN: Thank you, Chairwoman Linehan. I'm going to go back a little bit further, talk about some of the things we've visited about in the past. And you know, when we've looked at school funding and, and you highlight the fact that the state is supposed to provide for the free instruction of our kids. And so I've got schools that I look at that get-- 0.2 percent of their budget come from the state currently, and other schools get-- up to 58, 60 percent of their budget comes from state aid. There are schools that collect more in state aid than even collect in property taxes. And how do you, how do, how are we

narrowing the gap between state funding between the schools with a half a percent in those with 58 and 60? Are we bringing that gap closer together by doing this?

TROY LOEFFELHOLZ: I think what you'll find in the spreadsheets that you've been given, when you, when you look to fund 244 school districts with 244 different needs, it's hard and we've talked about that several times. I think you'll see plenty, a lot of examples in there where you see tax levies come closer together from that standpoint. I know we've talked about Utica Centennial and York, and you can talk about Norfolk, and Pierce, and Battle Creek. You can talk about Columbus, Lakeview, and other areas where you see the tax levies come closer together. The hard part about that is, when you, when you start looking at each individual district, you look at their needs and their, and their student population. And again, there's no easy answer, and that's why we talked about the 20 percent. You know, maybe that's half of what Farm Bureau is asking. But at the same time, I think it, it also helps in some of those smaller communities.

FRIESEN: I think part of that discrepancy comes, though, as-- the levy discrepancy I can account for in a way, because of what happened to ag land values versus housing values. And so these bills really do nothing to take care of that discrepancy yet because we've got AG land yet that's seen a 200 percent increase. And even though we have a hot housing market, we've probably only seen a 20, 30 percent increase in that residential market so far. We may see more, but right now, with that huge shift, the reason those levies are so low in some of those districts, all of that burden was shoved off onto ag land. And it's not really the levy discrepancy, it's, it's the taxes somebody pays versus somebody else. So--

TROY LOEFFELHOLZ: That is correct, yes.

FRIESEN: --that's where I'm, kind of, coming from.

TROY LOEFFELHOLZ: And I think that goes back to Senator Linehan's question to Mr. Kay, you know, the valuation, and that's something that we don't control as a school district. That's, that's a county-based decision. And I know there have been bills to limit that valuation growth of what that looks like. When you control that valuation, you're also going to put in, really, some, some unforeseen controls when you start talking about tax levies, as well. Because obviously, the more control you put on the valuation, reducing that valuation, you're going to increase the tax levies in some of those smaller communities as well.

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FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen.

TROY LOEFFELHOLZ: You're welcome.

LINEHAN: Other questions from the committee? I have one.

TROY LOEFFELHOLZ: Yes, ma'am.

LINEHAN: I don't-- on your third paragraph of your testimony here, it's according to the Nebraska Constitution, and then you have a quote. I think we're missing a quote at the end of that, but then--

TROY LOEFFELHOLZ: Oh.

LINEHAN: --the third line down, "To meet this obligation, the Legislature has established taxes to provide funding. The Legislature said only local funding can use property tax to fund schools." I don't quite under--

TROY LOEFFELHOLZ: So--

LINEHAN: I guess we--

TROY LOEFFELHOLZ: I'm sorry, go ahead.

LINEHAN: I just don't, I don't, I don't understand that statement.

TROY LOEFFELHOLZ: OK, so I'm, I'm glad you pointed that out because, as I was rewriting testimony this afternoon, I probably left something out, so I apologize.

LINEHAN: OK.

TROY LOEFFELHOLZ: So this goes back to what Senator Lindstrom talked about on the 1967 tax code. And so when you talk about the Constitution, so in 1966, the state stopped collecting property taxes.

LINEHAN: But the people did it, not the Legislature. It was on their ballot, correct?

TROY LOEFFELHOLZ: Correct, correct.

LINEHAN: OK.

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TROY LOEFFELHOLZ: That is correct. OK. And so the Legislature said only local funding can use property tax to fund schools and other local subdivisions, and that came out of that, that change in 1967. Only the Legislature-- the Legislature said only fun-- local funding can come to fund schools and other local subdivisions.

LINEHAN: So this is just-- but other local subdivisions, other than schools, they can use sales tax, too.

TROY LOEFFELHOLZ: Yes.

LINEHAN: OK. There's other taxes besides property taxes. But anyway--

TROY LOEFFELHOLZ: Right.

LINEHAN: OK, never mind.

TROY LOEFFELHOLZ: And, and I can, and I can send to you the full paragraph--

LINEHAN: OK.

TROY LOEFFELHOLZ: --if that's OK.

LINEHAN: Yeah, that would be helpful.

TROY LOEFFELHOLZ: Absolutely.

LINEHAN: All right. Other questions? Thank you very much for being here.

TROY LOEFFELHOLZ: Thank you very much.

GINGER MEYER: It was so much fun, I'm back.

LINEHAN: Me, too.

GINGER MEYER: So I apologize that you have to listen to me again.

LINEHAN: That's OK. Welcome.

GINGER MEYER: Good afternoon, Senator Linehan and members of the Revenue Committee. My name is Ginger Meyer, spelled G-i-n-g-e-r M-e-y-e-r. I come here to testify as superintendent of Chadron Public Schools. I am here today in support of LB891, the sister bill to LB890. Chadron Public School shares a unique story. We are a rural district with a current enrollment of 925 kids, K-12. Our district is

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at the \$1.05 levy, lid levy, between our general and building fund. 40 percent of our land is in public, state or federal lands, meaning not all of our land is taxable. Some of the public land pays a little bit of tax, but we do have a state and federal lands that do not. Our district does receive state aid, and that we are grateful for. We're a frugal district. Two of our buildings turned 100 this year, and our newest bus is a 2004. With enrollment growing, we need more teaching staff that we will be hard pressed to hire under current budget. It is difficult to hire teachers in our part of the state. We are going to have to keep current and competitive to get educators to Chadron. Current revenue restrictions, over-reliability, overreliance on property tax, and the burden of providing the necessary resource for our students are capped out. And even if we could squeeze another penny, it would fall back on the limited tax base. LB891 and LB890 would be that lifeline for our school and for our taxpayers. LB891, as currently written, would significantly reduce our general fund levy. With this model, both our school and our taxpayers benefit greatly. Our current general levy fund is \$1. Under the proposal, it will be 64 cents. That is a levy reduction in our general fund at 36 cents, so 36 percent. Our state aid increase would be that of \$2.1 million. We do have a max general fund levy of 95 cents, but with our spending and budget authority, we could only go up to 76 cents total. Our education community and other diverse groups have come together on this bill. I have been in education for 28 years, and this is probably the first time I have seen something like that. Nebraska currently finances over 70 percent of the costs of operating its public school system from property tax and local sources, while nationally only 43 percent of the costs are supported by property taxes and other local sources. The overreliance on property tax for the support of public school systems has resulted in great disparities in local property tax. For example, this is my second year at Chadron. I was at a smaller school, Scribner-Snyder, two years ago. I can levy as much at the \$1.05 that we levied at Scribner, for the same amount of money, at 70 cents, because we are land-poor and they were land-rich. Funding public schools in the state of Nebraska is no easy task. One size does not fit all when trying to fund 244 separate districts, each with their own unique needs and stories. The intention of the bill is to be simple, transparent, and equitable. There are two valuable outcomes: structurally sound and sustainable school funding model, and a substantial reduction in the reliance on property taxes to fund public schools. The introduced LB890 and LB891 has an estimated 50/50 split statewide between local property taxes and state funding. I do ask if LB891 cannot be the answer, be your answer. if-- I would hope that the

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committee would work with Miss-- with Senator Lindstrom to figure out how to find, fund LB890. Thank you.

LINEHAN: Thank you. Are there questions from the committee? Were you in part of the conversations about the 20 percent basic funding?

GINGER MEYER: Yes, and I-- actually am the president of NRCSA this year, and I do--

LINEHAN: OK.

GINGER MEYER: --I do agree with, agree with that because I think all schools need something. So if we could write into the bill that, you know, everybody gets at least the 20 percent, then everybody would see some, some benefit.

LINEHAN: So how big Chad-- I mean, I think you told me this yesterday, but I'm sorry, I don't recall-- how many students do you have?

GINGER MEYER: We have 925 K-12, and if you add our four-year olds and early childhood kids, that's 80 more.

LINEHAN: So you're a NRCSA school, but one of the bigger ones?

GINGER MEYER: Um-hum.

LINEHAN: OK, yes. Thank you very much for being here; appreciate it.

GINGER MEYER: Thank you.

GRANT NORGAARD: Hello, my name is Grant Norgaard, G-r-a-n-t N-o-r-g-a-a-r-d. I am the superintendent for McCook Public Schools. And one thing I want to say is, I started my career teaching at Battle Creek Elementary Schools, a fifth-sixth grade teacher. And Ginger, she taught next door to me, and we had no idea each other-- we were both going to be here today, so I wanted to point that out. Go Battle Creek and go Chadron and McCook. I want to thank all-- Chairwoman Linehan, thank you very much, and committee members. I appreciate this opportunity to come and speak before you. I'm also very thankful to Mr. Chip Kay and Troy Loeffelholz, Senator Walz, and Senator Lindstrom for bringing forth legislation that I believe is, is really quite, quite creative and quite thoughtful. And I think it's, it's something that we've really needed in the state of Nebraska. I've always felt a little bit guilty that schools-- we're not necessarily the ones bringing forth solutions to solve the property tax issue in our state, and I really appreciate the work that they've done. McCook Public

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Schools-- a little bit about who we are. McCook Public Schools is an equalized school district. We're a Class B school district in southwest Nebraska. It's a community of about 7,700 residents. Our district is made up of agricultural, commercial, and residential property. We run about six bus routes. Most of those, five of those are outside of the community itself. And we have approximately 1,400 students, give or take, depending on the year. And there's a small K-- or pre-K, a parochial school in our community, as well, where they come over to the, come over to the public schools at ninth grade; and they do an outstanding job. Currently, McCook property owners pay about 99 cents towards our general fund levy, and they pay about 5.5 cents towards our special building fund. This gets us right to the \$1.05. During my 13 years at McCook-- it's a great place and they've kept me around, so I appreciate that; thank you, McCook-- 13 years there, we've, we've been, most of the time, at that \$1.05 levy, and most of the time, actually, it's been just for the general fund. There was about three years we were able to get down to the mid-90s and this would have been about six years ago we were able to get down that low. And then, quickly, we had to raise that back up to \$1.05 as we saw state aid dollars go away. During that time, we had to make some painful decisions concerning staffing. We had to do some reductions in force. And of course, when you do that, you also have some reductions in programs. And that, that all happened, that all happened within the last decade. One of the things that I also want to share with you today, that, during that same period of time, McCook Public Schools has maintained a relatively low cost of, of student, of cost per pupil, based on average daily attendance. I don't know if I clarified that yesterday for LB890, but we, we, we're at \$1.05, and we spend about \$12,643 a year per student. And that places us at about the 11th lowest cost per pupil in the state of Nebraska. The reason I share that, I know every school has unique conditions they have to deal with. You can't just compare student cost to student cost, but being the 11th lowest and being at \$1.05, we're not living lavishly. That's why I bring that up. So even though we're at \$1.05, we're-- we've cut programs within the last decade. We don't have family consumer science at this point in time. We don't have automotive classes a lot of Class B schools do. We've cut foreign languages. We've had to reduce our media specialists. And so I want you to be aware of that. One of the things that we see with this bill is, is, is a benefit to our taxpayers, and it's a benefit to, to the tune of about \$2.7 million. And of course, like Chadron, McCook Public Schools has a higher percentage rate than other property tax relief bills. We-- one other thing I wanted to point out is, McCook Public Schools is a school district that shares boundaries with schools with lower levies. If you

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are on Highway 83, for example, and you live on the west side of Highway 83, you're going to pay about 26 more cents than, than a property owner on the east side of Highway 83. And sometimes that's the same property owner. And let's be honest, it doesn't always even have to be a highway that, that is a dividing line. It could just be a property line or a fence line. So I want you to be aware of that as well. And they're able to run their school district successfully with some of those programs that, I mentioned, we've had to cut. Elements of this bill-- helps to significantly reduce the tax burden, property owners in McCook Public Schools 30 to 40 cents, depending on which year you're looking at. McCook residents have had to deal with high levels for years. This bill provides hope of a tangible relief. The benefits to property taxpayers in schools brought about by the passage of LB9 [SIC-- LB891] are, are positive. And I'll just end there.

LINEHAN: Thank you. Is it Dr. Norgaard?

GRANT NORGAARD: No, it's Mr., sorry.

LINEHAN: Mr. Norgaard. Are the questions from the committee? It looks like--

GRANT NORGAARD: You can call me Doctor. I'm just kidding.

LINEHAN: It's fine. OK, seeing no questions, thank you very much.

GRANT NORGAARD: All right. Thank you; appreciate it.

DAVE WELSCH: 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 the school board of Milford Public Schools. I have served as a school board member for over 30 years. I'm here to testify in support of LB891 and LB890. For over five years, education and ag groups across the state have been working together to try and come up with a formula to distribute additional state aid to schools. It has been a difficult task. Different pieces to the puzzle have been introduced over the years, but none of them have made it to the finish line. So the default position of these groups has been to support putting additional money into the property tax credit fund and, more recently, into the LB1107 income tax credit for school property taxes paid. Many across the state have considered these two funds as placeholders until a better TEEOSA formula could be created. LB890 and LB891 provide that improved TEEOSA formula to increase state aid to all schools and to provide direct property tax relief all across the state. LB891 is an improvement over LB1107 income tax credit because it provides direct

and transparent property tax relief. LB1107 monies require schools to basically borrow money from our property owners, and then the property owner has to request an income tax credit 6 to 12 months later. Why would we want to do that? LB891 allows property owners to keep their money in their own pockets. Last year, LB1107 provided a 6 percent income tax credit on school taxes paid. If LB890 and LB891 had been approved last year, these two bills would have provided more property tax relief to every property owner across the state than the 6 percent credit did, especially when you take into account that 60 percent of the LB1107 money was not claimed last year-- or that's all that was claimed was 60 percent. If the LB1107 money is reallocated TEEOSA, it will provide direct property tax relief. There is one area I would suggest for improvement on, basically, LB890. Originally LB890 did not include an averaging adjustment for schools, for those above 900 students. The current plan, as introduced, does. Under the current state aid formula, the averaging adjustment provides \$29.4 million to 20 larger schools in our state. I would suggest to them that, to improve LB890, that there should be a minimum basic funding of 20 percent to all schools. This would provide additional funding to 88 smaller schools across the state, at a cost of approximately \$18 million. This basic funding calculation would take place after all of the other calculations within LB890. This seems to be a reasonable compromise to provide needed additional funding to both large and small schools across the state. The attached graph that was handed out provides a clear visual aid in showing how these bills bring the levies down and closer together, which, for those of you that have been on that committee, you've heard me say that multiple times over the last few years. Seventy percent of the schools will have levies in the 50s and 60s range. So I'm asking you to please support these bills to provide increased state funding to schools and to provide direct and transparent property tax relief. I'd also like to thank Chip and Troy, and especially Senator Walz, Senator Lindstrom for introducing these bills, and also for Senator Kolterman for signing on to them right away. Just as I was sitting back there-- I've got maybe a minute or less here-- but I really appreciate Senator Briese trying to lock in the \$548 million under the LB1107 money. I mean, that does provide property tax relief, and it provides it in a percentage so the higher-levy schools get more money returned to them than the lower-levy schools. So I think that's appropriate. Just one thought, with LB890 kicking in about 720-- \$7 million of property tax relief, maybe the number doesn't need to stay at \$548 million. Maybe the percentage needs to be locked in at 25 percent. By throwing or putting another \$727 million through LB890, 25 percent is-- that's \$182 million. Maybe we don't need that \$182 million in LB1107. That could

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help fund LB890. Maybe the two packages could work together in some way, so--

LINEHAN: Thank you.

DAVE WELSCH: --just throwing that out there. Thank you. I'd be happy to answer any questions.

LINEHAN: Senator Briese.

BRIESE: Thank you, Chairwoman Linehan. Thanks for coming here today, Mr. Welsch.

DAVE WELSCH: Sure.

BRIESE: So far, I've heard people testifying from a school that's going to get a-- whose taxpayers are going to get maybe a 42 percent reduction, a 36 percent reduction, a 44 percent reduction, a 40 percent reduction in their levy, but they're also going to give up a 25 percent property tax decrease because of they'd be giving up LB1107. Who I haven't heard from today is, say, somebody from Elgin who's going to get a 2 percent reduction in their levy-- excuse-- oh, I think about 4 percent, actually, 4 or 5. And they're taxpayers, to get that 4 or 5 percent reduction, they're going to give up 25 percent property tax relief in the LB1107 credit.

DAVE WELSCH: Right.

BRIESE: So what do we-- now, you mentioned basic funding, 20 percent basic funding. Will that get to Elgin?

DAVE WELSCH: I don't have all those numbers in front of me. I've got, I've got a nice spreadsheet at home with about 20 tabs on it right now. So if you'd like me to share that with you, I would, but--

BRIESE: That's all right. But you say it'll get to about 80 schools, so we're still going to miss a whole lot of schools with basic funding. And so I worry about schools like that. What do we tell them on a program like this?

DAVE WELSCH: Yeah, it's-- that's, that's just the way legislation works down here. Unfortunately, not everyone can become a win-win on this deal. Like I said, if, if this would have been enacted a year ago, everybody would have been saying, Oh boy, I got 6 percent. And none of us imagined that LB1107 would jump to \$548 million in the second year of it. I mean, we thought it was going to take several

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years to even get up to \$350 or whatever the so-called ceiling or floor was at that time. So yeah, it's happened for one year. Whether or not that's sustainable could be a question, but it's-- yeah, when you-- it's like getting a piece of candy. Once you get the first one, you don't want to let it go, you want to keep it coming. So yeah, that's a challenge. So, yeah.

BRIESE: OK, thank you.

DAVE WELSCH: Yeah.

LINEHAN: Thank you, Senator Briese. Other questions from the committee? OK. Why wasn't the 20 percent basic funding included in the proposal? I mean, it's not very much. And we were talking about \$700 and how much million? \$740 million in basic funding is 18 million, and it couldn't be included?

DAVE WELSCH: I don't know. It might have been. When I approached those that were drafting this, I was considering replacing the ESBA line item with a basic funding number. They indicated that that-- you know, they'd moved quite a ways in their equation on this. And they felt that putting 20 percent or whatever percentage in, in that part of the equation, didn't create the equality or fairness or whatever definition you want to put on it there. I think now that the plan has moved forward, it's been drafted, and we can-- you know, we've got the NDE model; we can see who it helps more, who it helps less. I mean, if you want to bring everybody's levies down, obviously you have to send more money to the high-levy districts, which I think this bill does a pretty good job on that. There's a few left behind. But I think, now that the model is complete, if you look at who still isn't up to a 20 percent of their basic funding and you tack that on at the end, I think that's an appropriate place. And like I said, you get 88 more schools, especially the six hold-harmless schools. Five of those would receive about a 6 to 10 cent additional levy reduction. So I think it does have an impact. And the other 80-some schools, that it varies significantly from less than a penny to, you know, probably over a dime.

LINEHAN: And you're an ag producer, right?

DAVE WELSCH: Yes.

LINEHAN: So are you concerned at all that we're not touching valuations on this?

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DAVE WELSCH: I've offered that as a suggestion for over five years, and nobody's jumped on it yet.

LINEHAN: Oh, there's some people jumped on it.

DAVE WELSCH: Let's say we jumped on it, but it didn't get across the finish line. That's, that's one of my extra notes here, if I had more time, was to suggest that, but I understand the political hurdle that that would have to overcome. But yes, we've never addressed the doubling of ag land valuations in Nebraska and the impact that it's had on state aid to our schools. And I think with LB890, that would be a good addition, in my opinion. You would bring more rural schools into equalization. And I haven't crunched the numbers. I-- you know, my little spreadsheet doesn't have the ability to do that, but I think it's worth considering and whether we do it this year along with LB890 or it's something that gets added later, I don't know. So--

LINEHAN: Thank you very much for being here. Are there other questions? Seeing none, thank you very much, Mr. Welsch.

DAVE WELSCH: Thank you.

LINEHAN: Next proponent?

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. I'm the director, executive director of the Nebraska Rural Community Schools Association. NRCSA appreciates Senator Lindstrom's willingness to introduce LB891, and, on behalf of NRCSA, I wish to testify in support of LB891. We especially support the philosophy of getting more state funding to public schools, a result of which would lead to lower property tax requests. It is NRCSA's hope that the Revenue Committee can find a way to commit state resources to make it possible to fully fund LB890. It would be our preference, however, that you not dip into LB1107 funds, if at all possible. Property owners in many NRCSA-size districts would not fare as well in LB890 as they currently do under LB1107. In the hearing on LB890 yesterday, I made a suggestion, as did Mr. Welsch you heard earlier, that would guarantee that every district be assured of receiving at least 20 percent of its basic needs. This would help to close the gap between LB809 [SIC-- LB890] and LB1107-- somewhat. In looking at this, by the way, this idea partially came from Senator Friesen, his ideas on looking at basic funding. Not using LB1107, of course, would involve finding a different source of funding, if possible. NRCSA would be willing to be involved in that discussion. No matter what you do to support LB890, a dedicated source

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of funding that is sustainable would be expected. LB890 would not be workable without the necessary funding. We believe that LB890 has a great potential to provide strong state support for public education, thus providing sustainable property tax reductions. We very much appreciate Senator Lindstrom's desire to help lead the discussion on LB891, and to be part of the LB890 and LB891 vision. We encourage you to move LB891 forward, but to consider all angles of funding as you do so. Thank you.

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

BOSTAR: Thank you, Chairwoman Linehan. You said that the 20 percent base funding would somewhat help address the gap. Can you tell me where would it not help the most? And how much would that be?

JACK MOLES: You know, I don't have those numbers for you, but we have 80-some districts right now that would fall below 20 percent of their basic needs in the, in the formulas that currently-- the LB890 formula. By bringing it up to 20 percent, you're going to see more property tax reduction made possible. That's where we close the gap. These, and most, almost all of these are smaller districts that aren't able to lower their, their levies as much.

BOSTAR: So I mean, I under-- so if-- you know, if a district is getting 25 percent from LB1107, and they're getting nothing out of the formula, but we add 20 percent, am I missing anything to then think that we'd be left with a 5 percent gap?

JACK MOLES: Well, it depends on the district. We have some districts that would receive, like, 5 to 6 percent of their basic funding through LB890. There's a few of their 19 point something percent. One, I think, I looked at, it was under \$1,000 it would take to get them to 20 percent. Some are-- there are a few that are over \$400,000 to get them to 20 percent. Those districts, of course, would, would fare better in that.

BOSTAR: Thank you.

JACK MOLES: Yeah.

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

PAHLS: Thank you. You're the second individual I've heard about the 20 percent. So that is intriguing to me because, to be honest with you, the person who was before you-- I've always been impressed with the

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deep thinking that goes into a lot of the suggestions. The 20 percent, though, if that was guaranteed, you, you would say that was a good thing.

JACK MOLES: Absolutely. If that was guaranteed in LB890, yes, I think that would be a very good thing.

PAHLS: Would that take away some of your apprehensions about LB1107?

JACK MOLES: Yes, it would. It would, it would help to close that gap, is what I'm saying. So yes, it would help to alleviate some of it.

PAHLS: Is it possible that LB1107, that it's in a bubble? I've heard it on the floor, people say that, can we sustain that? I don't know if we can or not. And that's-- I'm asking what if. The 20 percent would be into the formula.

JACK MOLES: Yeah, I don't have an answer for you. I, you know, as Mr. Welsch said earlier, the LB1107 money, we didn't foresee where it'd be today.

PAHLS: I think it's exactly--

JACK MOLES: Will it be there next week-- or next year? Will it be there the year after?

PAHLS: Well then, that could be where the bubble thing is.

JACK MOLES: Right.

PAHLS: OK, thank you; appreciate it.

LINEHAN: Thank you, Senator Pahls. Senator Briese.

BRIESE: Thank you, Chair Linehan, and thank you for being here today, Mr. Moles. But even with a 20 percent basic funding, we're still going to have some taxpayers going backwards when they give up a 25 to 26 percent reduction in school property taxes, if we have to give up LB1107. Would that be correct?

JACK MOLES: If you, if you were able to maintain it at 25 percent, I think you'd probably be right.

BRIESE: OK. OK. OK.

JACK MOLES: If you're able to maintain it with that.

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BRIESE: Sure. Thank you.

LINEHAN: Thank you, Senator Briese. Any other questions from the committee? Thank you--

JACK MOLES: Thank you.

LINEHAN: --very much for being here; appreciate it. Good afternoon.

JOSH FIELDS: Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Josh Fields, J-o-s-h F-i-e-l-d-s, and I'm the current superintendent of Seward Public Schools. I'm also representing not only Seward Public Schools, but also STANCE and the Nebraska Council of School Administrators. Schools Taking Action for Nebraska Children's Education-- STANCE-- is comprised of 19 mid-sized school districts, free of lobbyists-- that's why you see me here today-- that represent over 25,000 schoolchildren. STANCE is unique in the fact that we have districts representing the entire state, from Chadron to Blair, levies that range from \$1.05 to 60 cents, and enrollments ranging from 863 students to 3,928 students. We are representative of Nebraska education, and we don't take lightly our positions with the Legislature. We submit this testimony in support of LB891, proposed by Senator Lindstrom. We appreciate Senator Lindstrom bringing LB891 and Senator Walz's sister bill, LB890, yesterday. Both senators' willingness to work with all stakeholders, listen to concerns, take feedback, and bring forward these bills does not go unnoticed. This could be one of the biggest pieces of legislation to provide property tax relief that has the support from educational community, school boards, and taxpayers, with meaningful tax relief. This bill, as written, will provide property tax for all 19 of our districts within the STANCE organization. In year one, LB891, STANCE districts' constituents would see a tax savings of \$54,596,203. In year two, STANCE schools' constituents would see a tax savings of \$80,481,992. This is meaningful tax relief for all taxpayers within our communities. Through the funding of the half-cent sales tax and state matching funds placed in the trust fund, this bill would not require any new taxes. The max general fund levy of 95 cents the first year and going down the second already sets in place spending limits on school districts and keeps the needs of each district in the hands of a locally elected school board, statewide. Spending growth statewide is 3 percent, while student growth has increased by 8.6 percent. LB891 would provide more equitable state funding across the state of Nebraska and would change the narrative that has-- we hear every year from the Nebraskans about overreliance on property taxes. Through this bill, the state local balance of funding education moved

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from 48th to the 13th-19th. STANCE schools currently have 28 percent funding from the state and 72 percent from local funding. Under this new plan, we will see this move to that 50/50, which is, ironically, how that turned out with our STANCE schools, when you look at all 19 of them. STANCE continues to be dedicated in helping in any way possible to have sustainable property tax relief that still ensures we're able to continue to provide excellent education to our students. We believe that LB891 does this, and we appreciate all the work of Senator Lindstrom for bringing this bill forward. Thank you again for allowing me to testify today.

LINEHAN: Thank you very much. Are there any questions for Mr. Fields? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. So I, I do appreciate your one goal here, and that's 50 percent of the funding from the state that's not from local. Do you think we should try to achieve that for every school?

JOSH FIELDS: I do, but I don't know if it's possible. I think it would be-- just looking at ours, even with ours-- so I know you're at Aurora, correct? And so looking at Aurora right now, we've got 18 percent that's funded local-- or by the state and 82 percent, and Seward's the same way as Aurora. Our concern would be-- and we, we changed those so it would go up to 32 percent, which would be great. But I don't know if we have the dollars to get to that 50 percent per student in Aurora, would be my point.

FRIESEN: We have some schools that receive probably 54 percent of theirs from the state.

JOSH FIELDS: Correct.

FRIESEN: I mean, so you would say it should be a long-term goal to get to 50/50?

JOSH FIELDS: Absolutely.

FRIESEN: OK, thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? So I'm just going to ask you, because I'm-- I think I know the answer. But in your fifth bullet point, the maximum general fund levy at 95 already sets in place spending limits. OK, but it, it's-- the maximum limit is still \$1.05, right? Because you add the 10 cents building fund on top of that.

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JOSH FIELDS: Correct, yes. But, but I was talking about the maximum would be, with the new would be 95. Correct?

LINEHAN: But the 10 cents goes on top of that.

JOSH FIELDS: Correct, yeah.

LINEHAN: So it's still \$1.05?

JOSH FIELDS: Yes, yeah.

LINEHAN: So I think the concern, or maybe it's-- nobody's bringing it up here, but so I'm going to talk about it. We have \$548 million now that goes to your taxpayers, all our taxpayers, doesn't matter if you're \$1.05, STANCE, GNSA, NRCSA, goes to everybody, and it's 25 percent. I don't know how you get clearer than that. Twenty-five percent of what you pay, you're going to get back.

JOSH FIELDS: So we've, we've already--and these are rough numbers, too, so we-- yeah, I know, 'cause you asked that question a lot yesterday, and so we tried to look at that. And so for STANCE schools, it does come out with this new bill. It would be-- we'd get a better per, percentage of property tax relief to our taxpayers. Now we've got some schools, like Lakeview, that'd be very, very close to where it'd maybe just be a break-even piece. And so when we look at those differences-- that, that's what we found with our STANCE schools, but I know it's been mentioned before. There's gonna be some districts like Elgin that may not have that same, that same piece.

LINEHAN: All right. So it's good for STANCE overall.

JOSH FIELDS: Yeah.

LINEHAN: But, but we're really-- here's kind of what kept coming up over the last four years when we've been going through this, is that schools don't trust the Legislature. We heard it again and again. But now you're asking us to trust the schools not to go to their maximum levy.

JOSH FIELDS: I would say that, if you would have any-- if, if you attended our school board members and our school board, and, and, and--

LINEHAN: But it's not just Seward. We, we're-- you're asking us to trust every school in the state not to go to their maximum levy.

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JOSH FIELDS: We are. But I think it's also-- in this bill, we're asking that we, hopefully, that we can find the dollars to fund schools, too. And that's, and that's-- like you said, it's--

LINEHAN: Well, out of the \$714 million we've already-- the bill finds \$548 million of it.

JOSH FIELDS: Yeah.

LINEHAN: That's LB1107.

JOSH FIELDS: Um-hum.

LINEHAN: So again, it's just the ironies here, you know. Nobody could trust us, but now we're supposed to trust 244 school districts and their school boards. Other questions from the committee? Thank you very much for being here.

JOSH FIELDS: You bet.

LINEHAN: At least you're not from Chadron; it's not that far to Seward.

JOSH FIELDS: That is absolutely right.

STACIE HIGGINS: It's my first time in Revenue; we'll see if I come back. Chairwoman Linehan and the Revenue Committee, my name is Stacie Higgins; Stacie, S-t-a-c-i-e Higgins, H-i-g-g-i-n-s. I'm currently serving as the past president of the Nebraska Association of School Boards, and I am a member of the Nebraska City Public Schools Board of Education. I appreciate the opportunity to speak to you in support of LB891 on behalf of the Nebraska Association of School Boards and Nebraska City Public Schools. Nebraska's 1,700 locally-elected, volunteer school board members serve important roles in our districts and communities. First, we're tasked with providing high-quality education to all students in our districts. Second, we have the fiduciary responsibility to our taxpayers, making sure that financial resources are allocated wisely. We, along with our partners in education, have long advocated for more state support to provide an excellent public education. Our members do see the direct correlation between increased aid and reduced property taxes. New calculated lower levies will ensure property tax relief. We also support keeping the existing spending controls in place as they have kept statewide operations spending growth to 3 percent while enrollment grew by 8.6, and support the additional levy cap to give taxpayers assurances that this will result in real tax relief. Our nine-member board at Nebraska

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City was elected by the same voters who elected the county commissioners and the city council, with the understanding that we would all be good stewards of the budgets. We make decisions, knowing the response, this responsibility. And as today's op-ed in the Journal Star stated, we also know that our local public will let our locally-elected officials know if they made unwise financial decisions. We recognize that schools play an important role in Nebraska City, and all 531 of Nebraska's communities is a place of opportunity, of community pride. Each student gets access to a quality education regardless of their ethnicity, their socioeconomic status or circumstances. Nebraska City Public Schools, which has an enrollment of about 1,400 students, is at the \$1.05 levy and it has been for 13 years. This allows little level levy authority to generate funds to address the changing needs of our student demographic. Our student population is above the state average in special education, English language learners, free and reduced lunch, and student mobility. We are proud of the opportunity we have to educate all students. However, there is an unfair burden on our taxpayers by requiring us to be at the levy limit to fund operations. We believe that passing LB891, along with LB890, or some form of sustainable funding is an important step in recognizing the responsibility that the state of Nebraska bears in quality education for all students. These bills remove a portion of the burden from the local property taxpayer to other sources of state funding, such as income and sales taxes, an important step in creating a closer balance of property sales and income taxes. In conclusion, let me reassure you that Nebraska's publicly-elected school board volunteers are committed to the future of Nebraska and a quality public education for all. We believe these steps. These are steps in that direction. Please join us in supporting LB891, which recognizes the importance of state funding for public education. Thank you.

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

BRIESE: Thank you, Chairwoman Linehan. Thank you for your testimony here today. The Association of School Board rep-- School Boards represents all school boards across the state?

STACIE HIGGINS: We do-- well, all member districts, which is almost all of them, except few outliers.

BRIESE: OK. Well, very good, very good. And how do you determine what bills to support or oppose or--?

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STACIE HIGGINS: Great question. We have our board of directors and then we have a legislation committee and that legislation committee is made up of representatives from all the legislative districts, elected school board members, that then represent those legislative districts. And so during session on Monday morning, we, we have that call and we go through the bills and we discuss. And that's just what we did with this bill. This one, of course, took a lot of discussion. It's been a long time since, since we came to a conclusion that we're going to be for something. And then our board of directors also had that same conversation.

BRIESE: That kind of goes with my next question. The decision wasn't unanimous, I take it?

STACIE HIGGINS: It was-- we didn't do a voice, we didn't do a voice vote. It was a discussion. It was not unanimous. We know that this is not best-case scenario for every member district, but our membership had a really healthy conversation about, this is something that does impact, in a positive way, so many districts. And so there was that, that sense of best for the larger cause.

BRIESE: What was the split? Any guess, any estimate?

STACIE HIGGINS: No, I don't have a guess. I was on the call in my car and didn't have the screen. So--

BRIESE: OK, very good. Thank you.

STACIE HIGGINS: Yeah.

LINEHAN: Thank you, Senator Briese. Other questions from the committee? I have a couple. What's the free and reduced lunch rate in Nebraska city?

STACIE HIGGINS: Last time we were able to measure it, pre--

LINEHAN: Pandemic.

STACIE HIGGINS: --it being free, it was 52 percent.

LINEHAN: OK. And how it--in your second paragraph, because I've seen this in two or three, and I brought it up before, but second to the last line in the second paragraph, "statewide operations spending growth to 3 percent," yesterday and everything I've seen up to today said over the last 11 years. I don't know why that slipped out of the--

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STACIE HIGGINS: Yes, I, I guess I don't know either. I can--

LINEHAN: Because it's--

STACIE HIGGINS: Yesterday's--

LINEHAN: I understand where we get to 3 percent in 11 years. But--

STACIE HIGGINS: OK.

LINEHAN: --we can't just say 3 percent because that wouldn't be.

STACIE HIGGINS: OK.

LINEHAN: And then, and obviously, Nebraska City had-- you've had some special issues, haven't you?

STACIE HIGGINS: We have. We had a failed levy override in May of '21.

LINEHAN: So right now, you're having to use your \$1.05 for some building stuff?

STACIE HIGGINS: Right now we're using our \$1.05 to survive, where, where, where our staff-- by attrition, we have reduced staff quite a bit. We're, we're putting Band-Aids on a lot of building projects. We were able to have some ESSER dollars help with some H-VAC, but we have to cash flow all that. So it's, it's hard to tap into that when we don't have cash in hand.

LINEHAN: So is part of your \$1.05 a building fund?

STACIE HIGGINS: Yes, but outside of the \$1.05, we have a general obligation--

LINEHAN: Bond?

STACIE HIGGINS: Bond and QCPUF.

LINEHAN: OK. All right. Thank you very much.

STACIE HIGGINS: Um-hum.

KYLE FAIRBAIRN: And I have numbers for you, Senator Linehan.

LINEHAN: That's good.

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KYLE FAIRBAIRN: Senator Linehan, members of the Revenue Committee, my name is Kyle Fairbairn. I represent the Greater Nebraska Schools Association, GNSA. Organization is, has 25 members of the largest school districts in the state, and we represent about 75 percent of all the children in the state. Come to you today in support of--

LINEHAN: Oh, I'm sorry. Kay says you have to spell your name.

KYLE FAIRBAIRN: Did I not do that, Kay? K-y-l-e F-a-i-r-b-a-i-r-n. My apologies, Kay. I come today in support of LB891. Just want to take a moment to thank Senator Lindstrom and his staff on this legislation. Over the past three months, I watched the work put forward to bring this bill forward. Senator Lura-- lin-- Lindstrom, working with Senator Walz, have worked tirelessly trying to put a package together to shape the change of school finance in the state. They presented to public schools across the state, had meetings with outside organizations, one-on-one meetings with senators and public schools across the state, and they've taken those meetings and turned it into two bills, LB890 and LB891, that GNSA supports. Bills take a tremendous amount of time, after watching these two bills come together, and that process is tough, and GNSA appreciates all the work that senators do bringing a bill forward 'cause it's not easy. It has been said many times over the last few years in this Legislature that those large schools that I represent in GNSA would never compromise on property tax issues and sending state money to rural schools. LB891, along with its sister bill, LB890, does both of those things. GNSA is putting its trust in the Legislature to fund this proposal in order to make sure that the children who attend the GNSA schools do not suffer from the loss of state aid. Trust has been a very tough issue over the years as whenever the state needs to cut its general fund budget, it usually comes looking at TEEOSA. Senator Lindstram's bill is followed-- if followed, would build a trust to secure funding to make sure that cuts stay far away from schools that must depend on state aid to function. This trust were very similar to the Highway Trust Fund and the Environmental Trust. GNSA would like another layer of protection in this bill, but no bill is perfect, and we'll continue to work on that. Nebraska has also struggled with how to control property taxes. This bill would greatly reduce property taxes, asking to all schools across the state. Property owners would see double digit percentage reductions in property taxes in most situations. The National Center for Education Statistics, NCES, website latest information shows that Nebraska is, again, 49th in the country in state aid support of schools. It is very difficult for schools that I serve, who are dependent on TEEOSA funding to educate all the children they serve, and talk about changing the current formula. Senators

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Lindstrom and Walz have put together bills that most in GNSA support. GNSA hopes that senators will try to-- not to change these bills to eliminate the strong support from all the-- most of the public schools across the state. And Senator Linehan, yesterday, you asked me the current level of funding in state aid for GNSA schools is about \$1.2 billion, and again, that would be all local. So that's going to include some stuff outside of state aid. The new state form--

LINEHAN: Outside of TEEOSA.

KYLE FAIRBAIRN: Yes, outside of TEEOSA.

LINEHAN: Right.

KYLE FAIRBAIRN: Yes. Yes, Senator. In the new formula, it'd be about \$1.6 trillion. So--

LINEHAN: Billion.

KYLE FAIRBAIRN: Billion, yes, not trillion. Trillion would be good, too.

LINEHAN: You're not in D.C.

KYLE FAIRBAIRN: I'm not complaining if trillion was the number.

LINEHAN: We're still in Nebraska.

KYLE FAIRBAIRN: It's about a \$486 million difference. Local funding currently is \$1.3 billion. The new local would be about \$830 million, again, which is about a \$480 million reduction. So currently, GNSA schools, on average, about 47 percent of our funding comes from the state and 53 percent comes locally. In the new formula, about 66 percent would come from the state and 34 percent would come locally. Senator Murman had asked a question: Why would this be good for schools or, or for property taxes? I looked at a school in Ralston, and again, I understand Senator Briese's concern that some schools wouldn't see this relief. But under LB1107, a property tax owner that had a \$259,000 house, at a levy limit of \$1.05, pays \$2,700 in property taxes, with the 25 percent that gets \$681 back. Under a year two of LB890 and LB891, that same property tax honor would save \$1,112, almost double the amount from what they're getting currently under LB1107. So I know that doesn't speak for every district in the, in the state. I'm not trying to say that. I'm just saying that in Ralston, which would be a lot-- very similar to a lot of the GNSA schools, you're going to see some very dramatic decreases in, in

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property taxes. And, and Senator Linehan, you asked that it's a trust issue. I'm sorry. Am I out of time?

LINEHAN: Somebody will ask you a question. Did I? Yeah, I did ask about a trust issue.

KYLE FAIRBAIRN: Yes. So, so Josh, you said that schools would go right back up to their 95 cents--

LINEHAN: I didn't say that.

KYLE FAIRBAIRN: --if they can. Well, you said they have potential to.

LINEHAN: Yes, I did say that.

KYLE FAIRBAIRN: Well, with the spending lids in place, that's, that can't happen because they don't have that. They can't, they can't spend that cash because they're limited on their cash spending. So I just wanted to clarify that even if they wanted to, more schools would not be able to do that.

LINEHAN: In GNSA.

KYLE FAIRBAIRN: In GNSA, that is correct, yes. I can't speak for other schools but, in GNSA, that is a true fact.

LINEHAN: Other questions? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. We've known each other for a few years, haven't we?

KYLE FAIRBAIRN: A while, Senator. Yes, sir.

FRIESEN: So have you ever supported a property tax bill or a school funding bill that I've had in the last seven years?

KYLE FAIRBAIRN: We have not, Senator. We have not. We've had a lot of good discussions about them, but we have never supported them; no, we have not.

FRIESEN: Should I be shocked when you're supporting a bill that gives you guys more money than it gives the rural schools again?

KYLE FAIRBAIRN: I wouldn't be shocked--

FRIESEN: You wouldn't be shocked about that.

KYLE FAIRBAIRN: --about that, Senator, but--

FRIESEN: Is there, is there a path--

KYLE FAIRBAIRN: --but, but we did look for the money going to all schools, Senator, and, and again, 87 schools, I think, get TEEOSA right now. That leaves a lot of schools out. The basic funding piece on this, every school gets something.

FRIESEN: You gave a nice example of a residential homeowner--

KYLE FAIRBAIRN: Yes.

FRIESEN: --receiving a nice property tax break. And I would be willing to go back and look at the increases that they have seen in the past 10 years. And then we'll compare that to a rural school who's seen property tax values jump up and tax increases over 200 percent, and we'll compare how much a tax break they get.

KYLE FAIRBAIRN: Yeah. And, and again, in GNSA schools, Senator, your-- those agricultural properties in those are going to see huge reductions.

FRIESEN: They will.

KYLE FAIRBAIRN: I mean, they're going to be in that 30, 40 percent range.

FRIESEN: They will. Any of the \$1.05 schools receive a--

KYLE FAIRBAIRN: Right.

FRIESEN: --good property tax relief.

KYLE FAIRBAIRN: Exactly.

FRIESEN: And that's where LB1107 money was kind of targeted, to those who pay the most--

KYLE FAIRBAIRN: Right.

FRIESEN: --versus valuation.

KYLE FAIRBAIRN: Yeah. So you-- even those agricultural producers in GNSA schools would see dramatic differences.

FRIESEN: Right. Thank you.

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KYLE FAIRBAIRN: Yep.

LINEHAN: Other questions from the committee? So just for the record here, on the part of your testimony-- and this came up yesterday so I want to make sure that the Revenue Committee gets the same information-- all these NCES numbers don't include the new, the new \$548 million.

KYLE FAIRBAIRN: That, that's exactly right, Senator.

LINEHAN: So that \$548 million, when the new numbers come out, if it's included in school funding, which it should be because it all goes to schools, that would bring us way up from 49th in the nation.

KYLE FAIRBAIRN: It, it absolutely would, Senator.

LINEHAN: And you said that now GNSA schools would be getting 66 percent of their funding from the state, on average. How does that compare to-- that's much higher than most schools get from the state, isn't it, across the nation?

KYLE FAIRBAIRN: Across the nation, I don't, I don't know that, Senator.

LINEHAN: OK. OK, we'll have to check that out. Senator Briese.

BRIESE: Thank you, Chairman Linehan. Thanks for being here. Did you say that GNSA supports the 20 percent basic funding concept that's being thrown around?

KYLE FAIRBAIRN: We have not even discussed that, Senator Briese. That came up yesterday to me for the first time, so I, I can't address that right now. I'll have to talk to my committee.

BRIESE: What would your prediction be?

KYLE FAIRBAIRN: I would have to talk to my committee. I'm not sure.

BRIESE: OK, thank you.

KYLE FAIRBAIRN: We're in a little different area here than I usually am, so I, I would have to talk to my committee, Senator.

BRIESE: OK, thanks.

LINEHAN: OK. Any other questions?

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KYLE FAIRBAIRN: Thank you.

LINEHAN: Thank you very much. Next proponent? No more proponents? Opponents, do we have any opponents? Good afternoon.

MERLYN NIELSEN: Good afternoon, committee members. My name is Merlyn Nielsen, M-e-r-l-y-n N-i-e-l-s-e-n, and my residence is Seward. Besides being an ag land owner, I'm also a board member of Fair Nebraska, an organization that continues to pursue change in how we fund our schools. We appreciate Senator Lindstrom's leadership, and joining with Senator Walz, for bringing this bill in and continuing the narrative of how Nebraska can modernize our K-12 school funding system and rely more on state collected tax dollars. I testified yesterday in the Education Committee hearing in a neutral position on the companion bill, LB890. That was because we support the portions of LB890 that project all school districts, whether currently equalized or not, receiving some funding from the state. But we fail to see equity or balance across school districts in lowering property taxes and the how-to-pay-for-it that we are discussing today is unacceptable. Today I am here testifying as an opponent of LB891, the proposed funding mechanism for the LB890 concept. The part of the proposed funding in LB891, taking the LB1107 income tax credit for property tax paid on school levy is simply not acceptable. I see way more to lose for folks in many rural school districts than what would be gained from some reduction in school property tax levy. Fair Nebraska remains committed to achieving a major change in how we fund K-12 education. Somehow, we need to align taxation more closely to benefits received. Taxes paid should be commensurate to some degree with benefits that are received. I simply do not see that relationship in this bill. Thank you to Senator Linehan and the Revenue Committee member for letting me appear before you today and share my opposing position on LB891.

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

FRIESEN: Thank you, Chairwoman Linehan. So you said you were a landowner, and it's not just in the Seward area? Or where do you have land? What kind of school districts, type of school districts that are you part of?

MERLYN NIELSEN: We, we have some land in the Sandhills, in the Sandhills school district. That would be one that would be-- struggle to see the balance off of losing LB1107 money in order to gain a reduction through the LB891-- LB890 and LB891.

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FRIESEN: Have you come up with any numbers analyzing that yet or--

MERLYN NIELSEN: I have, I have not looked at that one specifically.

FRIESEN: OK. OK, thank you.

MERLYN NIELSEN: Thank you.

LINEHAN: Thank you, Senator Friesen. Other questions from the committee? Senator Pahls.

PAHLS: Thank you, Chair. And I cannot go 'cause I do not have all that knowledge, but I hear about the 20 percent baseline. Does that appeal to you at all? Or do you-- I don't really even know if you'd been around to hear that [INAUDIBLE].

MERLYN NIELSEN: I've heard that yesterday and again today, but thank you, Senator Pahls-- excellent question. Would I support that? No, I'd support about an 80 percent basic funding from the state, and we would solve this property tax problem.

PAHLS: I know, but-- but again, I'm living in the real world.

MERLYN NIELSEN: Yeah, yeah, Yeah, it sounds like something that should be clearly--

PAHLS: OK.

MERLYN NIELSEN: --looked at.

PAHLS: OK.

MERLYN NIELSEN: And certainly, we've heard that from several of the education community; appreciate their ability to look at that.

PAHLS: And I do love the Sandhills.

MERLYN NIELSEN: I can't wait to get back out there. it's-- for some reason, I like it better than being right here with this wonderful view [LAUGHTER].

PAHLS: Thank you.

LINEHAN: Thank you very much. Other questions from the committee? Seeing none, thank you for being here. Next opponent? Good afternoon.

CHERYL LOGAN: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Cheryl Logan, C-h-e-r-y-l, Logan, L-o-g-a-n. I'm the superintendent of the Omaha Public Schools. We continue to be a growing district that educates approximately 53,000 students. I appear before you today on behalf of myself and our Board of Education in opposition to LB891. Of those 53,000 students, 10,338 receive special education services; 10,061 receive English language learners services. And in the past two months, we have received almost 100 students from Afghanistan. Our opposition is not something we take lightly. I had the opportunity, along with our legislative committee, to meet with Senator Walz and representatives-- representatives of the Columbus Public Schools to discuss in detail the plan that is embodied in LB890 and LB891. We respect the efforts of Senators Lindstrom and Walz and very much appreciate being included in meetings and discussions seeking to make the plan better. First, at its heart, TEEOSA is meant to be very simple: need minus resources equals state aid. Districts with greater needs than resources receive state aid. Districts with fewer needs than resources don't receive state aid. The funding plan outlined in LB890 and LB891 proposes to fundamentally alter that simple premise. It introduces an old concept: basic aid or foundation aid under a new name: education stabilization base aid. Our Board of Education has a long history of opposing efforts by school districts with more resources than needs, to divert state aid from school districts with more needs than resources. That is exactly what LB890 and LB891 will do in the long term. LB890 and LB891 require massive amounts of tax revenue-- revenue, which typically would go towards the general fund to be directed to state aid to schools. The proponents of LB890 and LB891 argue that this will not shift resources away from schools with highest needs because this will allocate \$750 million in new spending to state aid. The bills in their current format propose to increase the allocated income tax percentage, as well as dedicating a half cent of sales tax to school funding. Interestingly, the increase in the allocated income tax percentage is ironic, given that when TEEOSA was first adopted, the allocated income tax percentage was 20 percent. Today, the allocated income tax percentage is 2.23 percent. Neither the increase in the allocated income tax percentage or the dedicated sales tax are enough to cover the added costs of state aid. Where would the rest of the money come from? This plan actually creates greater unpredictability, and as we know, we got some news this morning to let us know about unpredictability and in terms of our tax base. Our district is currently funded at a rate of 50 percent by state aid. Under this plan, that percentage will increase to 71 percent. Even if this body were able to come up with the funds in year one or year two, the

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Legislature's long history of balancing the state budget by reworking TEEOSA suggests such an approach is not sustainable. Since its inception in 1990, the Legislature has changed the TEEOSA formula almost every single session. To be fair, our esteemed Chair pointed out to me yesterday, during the last-- the three years, four years that I have been here it has not been changed, so I want to make sure that I point that out. Why would any school district rely on those promises knowing the Legislature could change them? Fifteen years ago, this body, as part of a settlement of a school funding suit, created the Learning Community to ensure that all districts across Douglas and Sarpy County had equitable access to resources. Since then, the Legislature has systematically dismantled the Learning Community, and this legislation officially repeals the last vestiges of that settlement. We are understandably skeptical that the state will be able to maintain the funding level-- \$711 million is a lot of money-- in LB890 and LB891 over the long term. Failure to maintain funding would be felt by the school districts with the greatest need. Second, as we look at the issues facing education across the state and our country, we are perplexed at the fact that we are dedicating time and resources to a discussion over whether to divert state aid to school districts with more resources than need. Most school districts are facing a number of troublesome realities. We are all experiencing all kinds of changes at this time. The education community statewide is facing record teacher and school employee workforce shortages. We are focused on keeping the doors open to our buildings and classrooms staff so that we can keep our students in school. This is simply not one of the greatest priorities facing educating our Nebraska workforce right now. One final note. Our Board of Education believes that this discussion is fundamentally one about local control. Boards of education are elected bodies who are responsible to their constituents. They are reminded regularly about things like teacher pay, safety and security, school supplies, curriculum, athletic facilities, and yes, property taxes. Each district has the ability and the flexibility to make decisions as best serve the needs of citizens of that school. As someone who came to Nebraska from a school district in the Commonwealth of Pennsylvania, specifically Philadelphia, that did not control its own finances, I can tell you that is not a good system. I fear that LB--

LINEHAN: Dr. Logan.

CHERYL LOGAN: OK, my time.

LINEHAN: You are.

CHERYL LOGAN: Yes, thank you.

LINEHAN: You're welcome. Do we have questions for Dr. Logan? Senator Friesen.

FRIESEN: Thank you, Chairwoman Linehan. Dr. Logan, I visited with you before. We've been in some meetings together, and I'm always impressed with how you kind of operate at OPS. What is it that OPS needs to get to the point where they feel comfortable? Is it more funding? You know, I've-- I've heard they're struggling school districts and I think you've been working hard to, to fix that. But what-- what is the solution? I mean, in rural Nebraska we have, we offer a basic education. There's not many choices, I think, well, for a good education. But OPS and LPS, some of the larger schools obviously have some other issues. But how much money would it take to make you feel as though you should have every school a success in Omaha?

CHERYL LOGAN: Well, I think that the, the basic premise of the question just goes all the way back to where children begin their journey. And all things equal and children all had the same start where they have families that are highly engaged, I could answer that question. But I can't--

FRIESEN: Well--

CHERYL LOGAN: --because I'm going to give you an example. You know, when you have-- when you have children that arrive from a war-torn country who have never even picked up a pencil, predicting the needs of those students is really difficult. And I know that in rural districts, you have the same issues that children move into your districts. You don't have the economies of scale that we have. But if a special education student, a student needing special services moves into your district and needs a-- a nurse and a para that it-- it has a devastating effect on your-- your budget. And so I can't-- I don't know if I can answer, you know, giving a number. I do know that we work really hard to be excellent stewards of the money, to not waste any money and to provide the best education that we can for the students we have, many with really some pretty significant complex needs and varying levels of parent engagement, from parents that are highly engaged to parents that are not as available as we would like them to be. So I can't give you-- give you a number.

FRIESEN: So does OPS ever weigh in on economic development issues? I know, like Grand Island Public School weighed in on TIF financing at one point. And again, you talk about households and the struggle to

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get kids started. And so have they ever thought about coming to testify on some of those other issues? And I know it puts you in a predicament a little bit, but I would appreciate hearing your thoughts on that.

CHERYL LOGAN: Did you see the breaking news earlier today, Senator Friesen?

FRIESEN: I probably did not.

CHERYL LOGAN: OK. Well, it's a really particularly sore subject at this hour. We had some-- some pretty significant news this morning on a, on a request that we can anticipate coming to us in the Omaha Public Schools. So I'm going to leave that to my Board of Education as the elected body.

FRIESEN: OK. I was just curious, so I know some schools will start weighing in on some of the issues once in a while that do affect them in indirect ways, so--

CHERYL LOGAN: I appreciate the question. I'll pass it along to our board.

FRIESEN: Thank you, Dr. Logan.

CHERYL LOGAN: Sure, my pleasure.

LINEHAN: Thank you, Senator Friesen. Can you just give us a hint because we were on the floor this morning.

CHERYL LOGAN: There was a big announcement on this morning in reference to a large project downtown.

LINEHAN: Yes. But that's still in OPS. It's all in OPS, where they are now?

CHERYL LOGAN: The entire thing, the entire thing is in OPS.

LINEHAN: And I suppose it's getting TIF.

CHERYL LOGAN: We understand that that is on the table.

LINEHAN: That's the point you were trying to get to.

CHERYL LOGAN: It was just, just a coincidence that he mentioned it so.

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LINEHAN: Is there anything in your school district that's not TIFable, if that's a verb?

CHERYL LOGAN: You know, if you think about TIF for blighted areas, I would say, yes, there's a large part, portion of our school district that I would not consider to be.

LINEHAN: I know you wouldn't consider it, but all of Aksarben is TIF.

CHERYL LOGAN: I understand that, and I am an observer.

LINEHAN: OK, thank you. I did have a question for you. Other questions? I'm sorry, Senator Pahls.

CHERYL LOGAN: Yes, sir.

PAHLS: When you talk about TIF, having sat on the city council, I understand TIF. If this does happen, 15 years after that building is built, OPS is going to receive a significant amount of money because First National Bank, that land what it was worth before it was built is like a few million. Now it's 50, 60, 70, 80 million, so you have to wait 15 years. I don't know if you'll be there or I will be here, but see, I think TIF has some, some pluses to it. But I do--

CHERYL LOGAN: I would not disagree. I would.

PAHLS: Right. Initially, I know it does have some effect on schools, especially like your system has a lot of TIF.

CHERYL LOGAN: Yes, sir.

PAHLS: The thing that I have been concerned about is people do not view those of us who live in the Omaha area, they say we're getting away with it because they feel, yeah, I'm not saying they're wrong, that so much of their property tax is going to schools. And even though you say needs, etcetera, etcetera, that's not down here on the floor.

CHERYL LOGAN: Yes.

PAHLS: So somehow something's got to be done. What would be your suggestion?

CHERYL LOGAN: Well, I would say they're going to children, not to schools, and, sorry, but I mean, that's where it goes for me. It's going to children.

PAHLS: Right.

CHERYL LOGAN: And the investment in our children when we think about everything that is facing our state is, you know, is the future, you know. And I frequently, when I'm speaking to businesses and, you know, talk about workforce shortage. I recently met with a large healthcare provider and shared with them that we have a hundred-- we have 15,000 kids in high school at any time, at any, you know. And if you think about that number leaving in, you know, over a four-year period and going into the workforce and staying here in the state, you know, a lot of-- some of our-- many of our problems could be solved. When I shared with this particular organization that we-- 150 of our kids, actually a few more, receive their CNA certification and can work as CNAs, you know, wow. I mean, we need those children, you know. And so I look at it, I wasn't trying to be glib or smug, but I do really see it as the investment in our children. I know you do too, so--

PAHLS: Yeah. The thing-- OK, I spent a lot of time in the metropolitan area. But at one time, I taught in Atkinson, Nebraska. That town at that time, a number of years ago, was a Title I town because of the poverty. I-- I don't think they're concerned about what's happening in Omaha. They're concerned about their little town and the people, and they're concerned about the property tax. I just-- I'm trying to-- I'm trying to put a balance here somewhere.

CHERYL LOGAN: You know, I, I think I've shared with Senator Friesen before that my mother grew up in Crawfordsville, Arkansas. The population was 653. So I spent-- we spent our summers there. So a small town is not something that is-- something that is a foreign to me or I'm very familiar with the challenges. Many of my family still lives there. And they do not-- they have a lot of economic challenges there, too. Senator Groene talks about the poverty in his-- in his town and some of the family issues there, and they aren't particularly different. You know, we're, we're dealing with scale, right? But the needs of children don't change. So, you know, I don't-- I never see it as-- and I've always found it curious when I came to Nebraska that it was rural versus urban because I'm like, they're children. What difference does it make where they-- where they live? And I, I, I fundamentally believe that. And as the leader of the Omaha Public Schools, it doesn't matter where you live in the city, if you have needs. There's needs all over our-- our city and it-- and our-- our role is not to say, well, children in this section of the city need less, you know? No. They have needs and those needs need to be met regardless of where they live in our city. And we-- and I feel that way as a superintendent about rural and urban students. We need all of

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them to stay in the state of Nebraska and contribute. So our opposition to this bill is not-- has nothing to do with not wanting anybody to get anything. We want every child to get what he or she needs. Thank you.

PAHLS: Thank you.

CHERYL LOGAN: You're welcome.

LINEHAN: Thank you, Senator Pahls. Other questions? Senator Albrecht.

ALBRECHT: Thank you, Chair Linehan. And it's nice to meet you

CHERYL LOGAN: Likewise.

ALBRECHT: My very first time. I've not ever spoke to you before. But I am one of the rural schools in Nebraska. And it does very much concern me that their needs haven't been met for many, many, many years.

CHERYL LOGAN: Yes, ma'am.

ALBRECHT: And so when I take a look at something of this magnitude and knowing in the last six years what this particular committee has been trying to do for the greater good of the state, whether it be the parents, the property taxpayer, would you be in support of looking at those needs of the smaller surrounding schools? Because what I see when I look at these charts, the big get more and the others don't. I mean, it's to me, it's a bit of a tease. I just think that if we were to truly go out and audit the books of a lot of schools and find out where their money really is, you know, I hear that the ESUs have a lot of money sitting in accounts that will help them build whatever they want to build. I mean, we hear stories from all different realms and from rural to the big cities and everything in between. So while I appreciate people bringing something to us to do a head start or or just something to start looking at because everyone who put this together and all the different people that were buying into this idea is well and good. But we are also trying on our end to take care of the whole state. You know, we're-- we're not the ones that are asking for the dollars, but we are the ones that are trying to manage it. So knowing that it is all about the kids, it truly is. And I'll tell you right now it's all about the teachers, too--

CHERYL LOGAN: Yes,

ALBRECHT: --because those teachers have a lot of reasons to want to go do something else for many, many reasons right now. So how do we

collectively together work to an end? You're in opposition. But do you see, is there just one thing that you can blatantly see that can be changed that would make a difference?

CHERYL LOGAN: I believe that last year-- I'm hesitant to answer, but I know that last year there was a proposal around special education, and I think there are some incremental things that could be done to alleviate some of the pressure on the smaller schools. As I shared a little bit earlier with Senator Friesen that-- that when you have a child with complex needs, it just-- and we all know some of the chief financial officers kind of have a term for, you know, the special education increases. That's a little off color so I'm not going to say it at the table, but I could tell you--

ALBRECHT: I understand.

CHERYL LOGAN: --off-- off side. But-- and the-- and so I think that --and same with English language learners. You know, it's not disrespectful to students receiving special education services. It's just a financial term that I don't feel is appropriate for the table.

ALBRECHT: And I do know, like with the federal government tells you, they're going to give you a special amount and then you don't get it and then you fall back on, well, who's going to take care of these children? And trust me in my neck of the woods, it's a big issue. So how do we, I mean, there's not a magic bullet here that's going to take care of every, every area of this. But. financially, you would benefit greatly if this did come-- go through, correct, numbers?

CHERYL LOGAN: We don't see it that way. We are trying to understand that, trying to understand that-- that the money has to come from somewhere, right? And so-- and trying to be thoughtful about the fact that it has to come from somewhere. So.

ALBRECHT: Um-hum. And and knowing that you are trying to live within your means as-- as you are doing today--

CHERYL LOGAN: Um-hum.

ALBRECHT: So this changes and everybody gets a little bit more or a little bit less. Again, it-- I mean, I felt like a few years ago, we had a really nice deal going in and it just blew up. I mean, it takes a lot. Anybody in this room, those two gentlemen behind you that put this energy and effort into this, you're not going to please everyone and we're not going to please everyone. But together, we have to figure out what that-- what that is that will make a difference for

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both sides. So I just know, hey, this is a great start. But we've got a ways to go just to be sure that all children are taken care of. And you know what? My biggest thing is the education side of it. You know, we can build the big marble buildings. But if that child is at a 50 percent level at reading or math, give me the five core subjects and I'd take every mandate away from you that we've ever asked you to do, because it's all the things that we keep putting on the school systems that makes a difference in what these numbers need to be.

LINEHAN: Thank you.

ALBRECHT: Thank you. Sorry for editorializing.

LINEHAN: That's OK. Any other questions?

CHERYL LOGAN: Thank you. I appreciate it.

LINEHAN: I have one. You mentioned it in your testimony, and I agree with you because I remember last year it came up on the floor during one of the fix-it bills. Systematically on the Learning Community, can you repeat what you said, systematically--

CHERYL LOGAN: Kind of dismantling.

LINEHAN: --dismantling. So what does this bill do that-- I mean, I understand where-- I agree with you on that. So what is this bill doing that further the dismantling, because I have not thought that?

CHERYL LOGAN: Well, we see it where the-- and the funding mechanism that it would-- that would diminish down for the Learning Community of Douglas and Sarpy.

LINEHAN: So it would take away from our state funding the Learning Community or take away from their levy authority?

CHERYL LOGAN: I believe it's the state-- I believe it's the state funding, but I'd have to-- I'll have to check that fact.

LINEHAN: Or maybe you're concerned that that will ultimately--

CHERYL LOGAN: Yes.

LINEHAN: --come away. OK, OK. I appreciate that. Any other questions from the committee? Seeing none, thank you very much for being here.

CHERYL LOGAN: Thank you. I appreciate it.

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LINEHAN: Other opponents? Good afternoon, I'm sorry. How are you today?

MONTY STODDARD: I'm fine. You're fine.

LINEHAN: Good.

MONTY STODDARD: Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Monty Stoddard, M-o-n-t-y S-t-o-d-d-a-r-d. I'm a landowner and rancher from Harrisburg, Nebraska, third, third-term county treasurer in Banner County, Nebraska, and I serve as the chairman of the Nebraska Cattlemen Taxation Committee. And I'm here today to share the perspective of Nebraska Cattlemen, Nebraska Farm Bureau, Nebraska Corn Growers Association, Nebraska State Dairy Association, Nebraska Soybean Association, Nebraska Pork Producers Association, and the Nebraska Wheat Growers Association, regarding LB891. As you've heard from our organizations repeatedly, property tax relief and reform are of the utmost importance to our members. I want to acknowledge the work this committee has completed to deliver, deliver property tax relief to all Nebraska taxpayers via property tax credit refund and the Nebraska Property Tax Incentive Act, LB1107. On the surface, these bills claim to deliver property tax relief when fully implemented. Unfortunately, these fall short of delivering the equal amounts of property tax relief delivered by the Nebraska Property Tax Incentive Act, LB1107. Estimated total TEEOSA aid for 2022/2023 is \$1.07 billion. Of this amount, 93 percent would be distributed to 86 equalized districts, while 158 nonequalized districts will share the remaining 7 percent. Our analysis of this proposal estimates approximately 80 percent of the new dollars would be distributed to the 86 currently equalized schools. While better than the current distribution, it appears that distribution of state aid would remain unproportionately weighted to schools which already receive the bulk of the state aid. Essentially, this proposal would require agricultural land owners to effectively trade the current level of relief, the LB1107 credits from 29 percent down to 19 percent of total property taxes paid to schools. This tradeoff comes at a double disadvantage, as I stated earlier. A higher percentage will remain with equalized schools who already receive a higher percentage of state aid. Our organizations are committed to continue conversations with senators as property tax relief and reform mechanisms are drafted. That said, until an alternative method of property tax reform can be achieved, we're committed to protecting the Property Tax Incentive Act credits. We believe this fund must be maintained until an agreed-upon path forward is drafted, and agricultural landowners receive a proportionate percentage of relief,

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as the Nebraska Property Tax Incentive Act currently provides. For these reasons, we are opposed to LB891. We thank you for your time and I will be happy to answer any questions you have.

LINEHAN: Thank you very much for being here. Are there questions from the committee? So you're here for everybody--

MONTY STODDARD: Yeah, pretty much.

LINEHAN: --in ag.

MONTY STODDARD: Yes, ma'am.

LINEHAN: OK. Well, I do appreciate that you all came in.

MONTY STODDARD: Well, you're welcome.

LINEHAN: I wondered who you all were.

MONTY STODDARD: OK. Well, we appreciate the work that you've all done, and we hope to keep a seat at the table and move forward.

LINEHAN: Yes. I see you. I'm waving at Bruce.

MONTY STODDARD: OK.

LINEHAN: OK. No questions, and thank you very much for being here.

MONTY STODDARD: All right. Thank you.

LINEHAN: Other opponents?

JOHN HANSEN: Madam Chairman, good afternoon. For the record, my name is John Hansen, J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of the Nebraska Farmers Union, and I'm also their lobbyist. So while we support a lot of the efforts that were made relative to LB890, as we said yesterday in the Education Committee, we couldn't get to support because we had some very substantial qualms about how it is that it got funded, and how ag ends up at the end of the day. And I think the ag leaders' group did a good job of describing our heartburn on it. I, I would just note that I, I think that there is a, an interesting triangulation based on my years of doing this, that we finally have a bill that Omaha Public Schools, Farm Bureau, and Farmers Union all agree on. So that in itself, I would say, is a significant effort to get all of that done. And all, I suspect, maybe for somewhat different reasons, but relative to the sustainability, if we're going to do something as, as dramatic as what LB890 proposes to do, I really do

think we have to have a sustainable revenue source. And to that end, I think that we have to take a hard look at modernizing our state tax system. And we would be more comfortable if we had done something similar to the bills that Senator Briese brought on behalf of the Nebraskans United coalition, where you actually modernize the, the state sales taxes, you look at exemptions, you do all of those things in terms of what is sustainable over the longer term, and that we would feel better. We raised some issues yesterday, relative to the allocated income tax fund, which, as I discussed yesterday when we started out with LB1059-- and I was here when we started it out with LB1059. We were at 20 percent. Now we're down to 2.23 percent. But one of the things that we also found out is we were working together with the other groups in the Nebraskans United coalition is that, when you plug in the 20 percent, it didn't work quite as well as we thought it was going to work when you looked at all of the actual districts. And so as you're doing tax policy, if I learned anything-- which some folks would say would probably be a miracle-- but is that you really can't make good tax policy based on philosophy. You have to look at the numbers and see how the numbers actually work, because it's a very complicated economic landscape. And so my, my advice is always, for folks, is to do the numbers and then, based on how the numbers actually work as best you can tell in the real world, then develop a philosophy that is consistent with what the numbers show. Because if you're just doing philosophy, you're, you're likely to come up short and/or be badly surprised by how it actually works. So that is, I guess, of the things that we would, we would offer on LB891 is that we think that there's some things that could be done. We think that there's some changes that could be made. But if we look at it as is, are we comfortable with it? The answer would be no, we're, we're not, and we can't get to the point that we would support it, as is; that's for sure. And so with that, I would thank you for your time and thank you for your efforts in this never-ending search for the holy grail or the, the more fair, balanced way to pay for K-12 education. Thank you very much, and I'd be glad to answer any questions.

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

BOSTAR: Thank you, Chairwoman Linehan. Thank you, Mr. Hansen, for your testimony. You talked about, your objections are related to the funding provisions in this, and that you'd like to see a modernization of our tax structure to include a broadening of the base. We certainly have a lot of conversations about that in this committee. And just for clarity-- well, my understanding after going through some of that, that in order to receive significant revenues from base-broadening

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activity, you would have to take on a couple of things: perhaps the taxation of unprepared food, medical services, prescription drugs. Is that essentially what you are recommending?

JOHN HANSEN: I don't remember having those things included in our list of things that we looked at, relative to our recommendations.

BOSTAR: And I don't know exactly what your recommendations were.

JOHN HANSEN: And I can go back and I can revisit, and I'll be glad to send you, kind of, the cheat sheet and the summary of what was in it and what was not, in the, in the proposals that, that the larger group put together.

BOSTAR: All right. Well, thank you very much.

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

JOHN HANSEN: Thank you very much.

LINEHAN: You're welcome. Other opponents? Are there any other opponents? Neutral position? Good afternoon.

TIFFANY FRIESEN MILONE: Good afternoon, Chairperson Linehan and members of the Revenue Committee. My name is Tiffany Friesen Milone, T-i-f-f-a-n-y F-r-i-e-s-e-n M-i-l-o-n-e. I'm editorial director at OpenSky Policy Institute. We're here to testify in a neutral capacity on 8-- LB891. We appreciate the influx of funds that it would provide to schools, but would prefer it include a new revenue source. To start, we support eliminating the refundable income tax credit created by LB1107 and directing those funds toward schools directly. Increasing state support to schools was recommended by the 2013 Tax Modernization Committee report as the best way to alleviate our state's heavy reliance on property taxes. Reallocating the \$548 million currently going towards these credits to schools would move our national ranking much closer to the middle than where we are now at 49th as a percentage of state support going to public K-12 schools. Pushing this level of funding toward schools would help address our heavy reliance on property taxes by lowering levies an average of 21 cents in the second year, according to the Department of Education. Only six schools wouldn't see a change in their levies. This would have positive impacts on property owners. For example, someone who owns a median-valued home in Norfolk pays \$1,464 in property taxes under their dollar, current dollar levy and receives \$366 back through the LB1107 credit. Under LB981 [SIC-- LB891], however, the general

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fund levy would drop to just under 60 cents, resulting in an additional \$277 in property tax savings over what they're currently receiving under LB1107. York also fares better under this plan. A homeowner there with a median-valued home pays \$1,356 in property taxes under their, roughly, dollar levy and receives \$339 back through the LB1107 credit. Under this bill, the general fund levy would drop to about 56 cents, resulting in an additional \$230 in savings. We're in unusual circumstances with an unprecedented level of federal funds coming in, contributing to a considerable surplus. Nebraska's economy is currently propped up by \$21 billion from the federal government, which is about twice our total state and local-- annual state and local tax collections. This aid, combined with other factors, leads some experts to believe that we are in a fiscal bubble, including Lucy Dadayan, a senior research associate with the Urban-Brookings Tax Policy Center at the Urban Institute. OpenSky has long advocated for more funding for schools in order to lower property taxes and achieve better balance. By directing the current surplus toward state aid to schools, the Legislature will be making an important investment in Nebraska's economy and its workforce, something that it cannot achieve through tax cuts that benefit the wealthy rather than low- and middle-income families. However, we remain concerned about the long-term sustainability of this plan, since it does not have a new revenue source. Thank you for your time, and I'm happy to answer any questions.

LINEHAN: Thank you. Are there questions from the committee? So you mentioned Norfolk and York, I think.

TIFFANY FRIESEN MILONE: Yes.

LINEHAN: Did you have examples for Hampton or Giltner?

TIFFANY FRIESEN MILONE: I don't think they were on our list. We kind of started picking schools and just going 'cause we were running out of time.

LINEHAN: Any schools that are NRCSA schools.

TIFFANY FRIESEN MILONE: I don't know which are all NRCSA schools. I can-- I'll list the ones that I have examples for. We have done Boone, Lexington, Omaha, Grand Island, Aurora--

LINEHAN: Boone. Boone.

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TIFFANY FRIESEN MILONE: So Boone. The difference in their tax savings-- we have their tax savings at \$83, and under the LB1107 credit, they're at \$141.

LINEHAN: So they lose.

TIFFANY FRIESEN MILONE: So they would be one who would lose.

LINEHAN: So-- OK, go on, Boone?

TIFFANY FRIESEN MILONE: Yeah. So Boone, Grand Island, Aurora, Lincoln, Nebraska, City, Columbus, Wayne, Wheeler and York. Of the ones--

LINEHAN: Wheeler.

TIFFANY FRIESEN MILONE: -- we did, there were three that were better under LB1107. Wheeler was one, and it's a difference. Yeah.

LINEHAN: And what was the other one?

TIFFANY FRIESEN MILONE: The other one? I have Aurora. It's pretty close, though.

LINEHAN: What happens in Aurora?

TIFFANY FRIESEN MILONE: It looks like a difference of \$260 in tax savings under this, whereas at the median-home value, it'd be \$322.

LINEHAN: So Aurora is--

TIFFANY FRIESEN MILONE: So this is all at median home value.

LINEHAN: Right. Well, that's a good place to be.

TIFFANY FRIESEN MILONE: Yes.

LINEHAN: OK, so Aurora's NRCSA-- not NRCSA, STANCE-- STANCE. OK. Other questions from the committee? Thank you very much for being here.

TIFFANY FRIESEN MILONE: Thanks.

ROBERT J. HALLSTROM: Chairwoman Linehan, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I appear before you today as a registered lobbyist for the Nebraska Bankers Association, to testify in a neutral capacity on LB891. We bring a little different perspective today and have an opportunity to get into the weeds on the bill, I guess. The interest of the NBA stems from the provisions of

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LB891, which would reduce the maximum levy for all special building fund purposes from 14 cents to 10 cents. School districts are authorized to enter into seven-year lease-purchase agreements for special building projects. Banks provide lease-purchase financing for these transactions, with revenues derived from the 14-cent levy authority under Section 79-10,120, used to satisfy the school district's payment obligations. Reducing this levy authority in midstream for lease-purchase financing arrangements already in place may constitute an impairment of contracts. When similar provisions were proposed under LB974 during the two to 2020 legislative session, the NBA worked with Senator Linehan and Revenue Committee Counsel to craft an amendment to allow the 14-cent levy authority to be extended for the duration of existing lease-purchase financing transactions. We believe that a similar amendment to LB891 would be appropriate. Senator Briese may recall that the LB974 issue arose from a school district in his legislative district at that time. In visiting with bond counsel on this issue, it was noted that potential impairment of contract issues could also be raised by the changes proposed on page 46, line 9, and page 49, lines 25 and 26. In both instances, authority to exceed the maximum levy authority in response to decreased property valuations would be eliminated, which would adversely impact existing school district bond obligations. So I bring those issues to the attention. Be happy to work with the, the committee for potential changes.

LINEHAN: I get the first one. I didn't get the second one. What's the second one?

ROBERT J. HALLSTROM: Second one, there, there's two issues where I think there's a three and a five cent levy authority under Chapter 79-10,106, I believe. I might have that, that statute incorrect, but it's on pages 46, line 9, and page 49, lines 25 and 26. The current law, as I understand it, allows for the levy to be exceeded if there is a reduction in property valuations, and bonds have been issued on the faith of being able to do that as part of the revenue-raising repayment source. And this would eliminate that, that authority.

LINEHAN: OK, thank you. Are there questions from the committee? So Mr. Hallstrom, you're telling me that we have a bill in front of us to take-- spend \$714 million, and this is what the bankers are worried about.

ROBERT J. HALLSTROM: It's just an issue. I, I told you I wouldn't get involved in the issues that are underlying. There's major issues there of substance. This is one just to make sure that we don't have legal

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issues that can be raised on existing lease-purchase financing transactions.

LINEHAN: OK. All right. Any other questions? Thank you for being here.

ROBERT J. HALLSTROM: Thank you.

LINEHAN: Other-- any other testimony in the neutral position? OK. Then we have no letters for the record. Senator Lindstrom, would you like to close?

LINDSTROM: I would; thank you. Well, again, you probably heard a lot about this yesterday, so I appreciate you indulging me on this side of things. I guess three things that I-- kind of the theme of the day, as I as I heard it was: trust, fairness, and the future. You know, one of the things that we, on the trust side-- and I, I get your point on, how do we trust the school district from not engaging in raising the property tax back up to cover their costs? I think we've covered that in some of the tax-asking equations that Chip and others pointed out. From the education side, the, the trust, and what we try to do-- and I've sat here where we've-- is the money always going to be there? We tried to address that with the trust fund and providing that mechanism that will have those dollars there, near there into the future. Yesterday, I, I did hear Dr. Logan talk about the economic cycles, and will the Legislature uphold their end of the bargain. I haven't met too many senators that, that don't care about K-12 education and kids, and I would, it would be very, very unlikely that that wouldn't be at the top of the list for us to, to fund. But again, that's why we have the mechanism with, with the trust fund itself. Fairness, you know, it-- this is obviously an extremely complicated equation situation. Not only are we dealing with 244 school districts, we're dealing with the outmigration of population, headcount dropping, how do we successfully educate our kids throughout the state. But the way that, to-- as I see it, when it's coming, comes down to the fairness issue, 244 school districts and the vast majority, two-thirds, not getting equalization aid, through this proposal, to the extent that we can in the short term, we can get there, we get close. So as we talked about the discussion on the 20 percent, we'll certainly run those models if we can get a little bit closer. And going back to my opening statements, this is not a one-and-done scenario or situation. We didn't think that we would come in and have it have all the answers; I don't think anybody does. But I believe it sets the foundation to try to strive to that 50/50 model, if we can close the gap between what the ag property taxpayers are paying and what they're getting in reduction. Again, I want to make sure that I'm not discounting what,

what Senator Briese has worked on. There are, there are a lot of "ifs" in, in a legislative session. We still are working through some of these bills. We're working through the budget. But unless we bring these proposals out here to have the discussion, and whether or not my bill fails, other bill, tax bills fail, you never know. Some of these things can get worked out. Maybe we have some of these options on the table and, without having these discussions, we can't, we can't go forward with that. Again, the future, as I look at it, we're dealing with themes and problems not only in the state of Nebraska and every committee, and whether it is, again, an outmigration and dealing with the redistricting that we dealt with. And of course, with these tax proposals, when you have District 36 moving to Sarpy County, a significant number of senators now reside in those population areas, that can kill a lot of bills. So when we talk about even rural broadband and opportunities for kids in education, with this proposal taking the 60 percent to 100 percent in the preschool arena for, for child care, closing the gap for the two-household family, that have, that the moms and dads have to work-- the workforce. These, these issues, there are not as many opportunities, from a curriculum standpoint in some of those rural school districts, where kids can even apply to certain scholarships, even in our, our state colleges and universities, that in talking to parents. And so if we're not working and going back to the fairness issue and creating this, this, this funding mechanism that provides equalization to all school districts, I don't know how we can ask, ask ourselves how to, how to grow Nebraska or continue to, to help rural Nebraska grow. And so it isn't that I'm trying to take away any type of property tax reduction through the income credit. It is just providing the fairness on who gets the vast majority and who doesn't. And like I said, two-thirds don't get anything in this proposal. Everyone gets to the extent that we get something, again-- not, not perfect. As we look in comparison to other, other states, currently, we're at 12 percent, thereabouts. If we do this in year two, we're getting closer to the lower 20 percent. We're still not-- we're about average in the Plains region. So these are things that we, again, as we look to the future, what are we striving to, to get at, and what are we trying to do? And, and even the tax proposal, as I mentioned in my opening, I just see that as fitting, as a, as a very-- it complements the overall theme of what we're trying to do if-- even with Senator Erdman's proposal. You know, as even as that goes, if, if the idea is to move more towards individuals in the state of Nebraska saying yes or no to a product, in the chain of sales tax and being less penalizing on the income tax, property tax side, this again fits into that idea. And we have great ideas that come out. But again, it's 33 votes. And we could talk about

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these things all day, but unless it passes and unless we effect change and find the 33, it doesn't matter. So this is-- to me, when I, when I, when we have these discussions and why I was interested in this bill was because I think that this is the closest that I've seen since I've been down here to getting that 33. That comes back to building trust, creating fairness and looking towards the future of where we go in the broader spectrum and about broader idea of where we can position-- position ourselves as a state to ultimately be competitive. And so that's-- I'll wrap it up there and be happy to answer any final questions you may have.

LINEHAN: Thank you, Senator Lindstrom. Are there questions from the committee? Seeing none.

LINDSTROM: Thank you for your time.

LINEHAN: Thank you very much.

LINDSTROM: Thanks to everybody who came.

LINEHAN: And I would ask if the Revenue Committee could just hang back for ten minutes. We're not going to Exec. I just want to talk about when we might Exec. So Martha, you're here. So we're not Exec-ing.