

January 20, 1981

LB 389-433

SPEAKER MARVEL: Senator Higgins.

SENATOR HIGGINS: Mr. Chairman and Senator Chambers, I merely want to state the fact that your very presence here and the fact that we are listening to you is a contradiction of your remarks that you do not have freedom. Thank you, Mr. President.

SPEAKER MARVEL: Senator Burrows.

SENATOR BURROWS: Mr. Speaker, members of the body, I would like to request permission we lay over the resolution until the hostages are in the air.

SPEAKER MARVEL: Any objection? If not, so ordered. We will go to item #6 now, introduction of bills.

CLERK: Mr. President, new bills. (Read by title LB 389-432. See pages 271-280 of the Legislative Journal.)

SENATOR CLARK PRESIDING

SENATOR CLARK: Could I have your attention just a moment, please? The AP has reported that the American hostages will fly out of Iran in the next thirty minutes. (applause).

CLERK: (Read by title LB 433. See pages 280-281.)

SENATOR CLARK: Senator Nichol, for what purpose do you arise?

SENATOR NICHOL: Mr. Chairman, members of the Legislature, I wanted to say something but I don't want to say it if we have urgent business to do. This will take about two or three minutes.

SENATOR CLARK: Continue, we don't have any business right now.

SENATOR NICHOL: Okay, Senator Marsh has a bill in having to do with mammals and I wanted to tell you the story of the three mammals if I may. May I do that, sir?

SENATOR CLARK: Go right ahead if it is funny.

SENATOR NICHOL: Well, I don't know about that but once upon a time there were three mammals who lived happily in Mammalary Land. There was a papa mammal that we called Pappy and mama mammal that we called Mama and baby mammal we called Babble and the reason we called baby mammal Babble was because he talked a lot and asked embarrassing questions.

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will work with Bernice and try to work something out on a separate bill, on a separate addressing of the Tort Liability Act but I don't think you ever would want to pass this.

SENATOR CLARK: The question before the House is the indefinite postponement of LB 476. All those in favor vote aye, all opposed vote no.

CLERK: Senator Clark voting aye.

SENATOR CLARK: Have you all voted? Record the vote.

CLERK: 27 ayes, 6 nays to indefinitely postpone LB 476, Mr. President.

SENATOR CLARK: The bill is indefinitely postponed. Senator Nichol, would you like to...? We have something to read in first.

CLERK: Mr. President, I have a motion from Senators Carsten, Newell, Fowler, V. Johnson and others that LB 390 be placed on General File pursuant to Rule 3, Section 19(b).

Senator Landis would like to print amendments to LB 354. Senator Burrows would like to print amendments to LB 355. (See page 735 of the Legislative Journal.)

SENATOR CLARK: Senator Nichol, would you like to adjourn us until nine o'clock tomorrow morning?

SENATOR NICHOL: Mr. Chairman, I can't think of anything I would rather do. I move to adjourn until tomorrow morning at nine o'clock.

SENATOR CLARK: All those in favor of adjourning say aye, all those opposed nay. We are adjourned.

Edited by

La Vera M. Benischek
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Legislature I move we adopt the amendment to LB 51 as printed in page 684.

SPEAKER MARVEL: Any further discussion? All those in favor of the motion vote aye, opposed vote no. Okay, record.

CLERK: 26 ayes, 2 nays, Mr. President, on adoption of the amendment.

SPEAKER MARVEL: The motion now is the rereferral of the bill to E & R for Engrossment, LB 51. All those in favor of that motion say aye. Opposed no. The motion carried. The bill is rereferred. The next item is LB 390.

CLERK: Mr. President, the motion is as found on page 734 of the Journal to raise LB 390 pursuant to Rule 3, Section 19. That motion is signed by Senators Carsten, Newell, Fowler, Johnson, Hoagland, Cullan, Rumery, Warner, Chambers, Pirsch, Labedz, Beutler, Goodrich, Marsh, Wesely, Nichols, Johnson, Fowler, Koch, Wiitala, Kilgarin, Fenger, Fitzgerald, Stoney, Beyer, Landis and Higgins.

SPEAKER MARVEL: The Chair recognizes Senator Carsten.

SENATOR CARSTEN: Mr. President and members of the Legislature, I rise this morning to move the bringing of LB 390 to the floor of the Legislature without committee consent. I do this with a great deal of reluctance. I am in my eleventh year here in this body, and I don't recall that I have ever in that length of time made this kind of a motion, and more especially, ladies and gentlemen, a motion to bring a bill from my own committee. But I feel so strongly about this subject matter that I feel this body has a responsibility to look at more than one approach. This state is made up of a great deal of rural area of which I am a part, but I remind you that this state is also made up of a lot of people that is concentrated in various areas, and it would appear to me to be fair and honest that both need to have some consideration when we start dividing \$70 million. When you raise a bill from committee, and I want this perfectly clear to the body this morning, you raise the bill as it was originally introduced, and the committee did put the bill in on a fifty-fifty distribution basis. To me, that was not the formula that was what I thought acceptable to enough of this body to pass, but as I said at the hearing, it was a vehicle to use in the absence of anything else. In our Executive Session, I recommended to our committee that we amend that bill to an 80 percent valuation and a 20 percent population formula. In my opinion, we were still giving rural areas a great deal of concern but were not completely ignoring people, and I pledge to you that if you bring this bill with me to the floor for discussion purposes, I have this amendment ready and will submit it to you at that time for consideration. I fully realize that when we are elected by a legislative district that we pledge ourselves to that district and to work hard for it. I am also mindful that we are also servants of the state and that in our deliberations and considerations and decisions that we act like statesmen and stateswomen and look at the state as a whole when we make those decisions. I submit to you this morning that we are in that position now,

and I urge you, I urge you, to weigh that thought carefully. We have one bill on the floor that was voted out of committee five to three, and that bill deals with valuations only, no considerations of people at all. I am only going to make one personal comment because I do not believe in using that in discussion purposes, but I am going to this morning and I ask your forgiveness for it. Senator DeCamp has a magic wand, a magic something apparently, and when he waves that, the beam from that wand does strike. I want you to know that that beam from his wand did strike me but it didn't penetrate, and I stand here this morning asking you to give the people, population, some degree of consideration in the distribution of this money. Again, I say I am sincere and honest. I believe that it is the right way to go. I am not sure that it is the permanent way to go, but at least for this time I believe it is correct. With those statements, Mr. President, I thank you for your time and your attention.

SPEAKER MARVEL: Senator DeCamp.

SENATOR DeCAMP: Mr. President, members of the Legislature, I sure don't know about any magic wands, but to break the tension I will tell you a story. Once upon a time, about two hundred and some years ago, there was a king, Georgie the Third, King of England. Georgie had been in a war for God knows how long with French, and Indians and who would have it and he was short of cash. Georgie didn't pay much attention to one of his properties, or what he felt was a property. It was called the American Colonies, but somebody suggested, well, shoot, you got to raise some money there. So he did. He started taxing and doing this and doing that and they went along for a while. Finally, an incident occurred, whether it was the Stamp Act or the tea tax, or whatever, and they said, enough is enough, you are not taxing us, now you are twisting and humiliating us, you are hurting us for the sake of hurting. We have given you this, we have given you that, but you are just hurting for the sake of hurting. Now I have passed out and you are having passed out to you now what evaluation would do. Every single cotton pickin' one of those people that signed to bring this other bill out is getting dramatic increases in income or money under valuation over what they had budgeted for for sure and even what they would have received in 882 in most cases. The only ones really getting hurt by my own formula, valuation, the only ones getting creamed are the average guys out there on the farms and ranches, the

homes, the little towns throughout Nebraska, the ones who lost this particular tax base when the personal property tax was repealed, and through a fluke, through error, through whatever, we are here today and you have a chance to humiliate us, and apparently my good friend, King Cal and Crown Prince Davie Newell have decided this is the time to stick her in and get that extra 10 or 20 percent. The tax was based on property. All we are doing is keeping the relationship. We are saying, we will give you most of the money, but Senator Fenger and Senator Beyer, for example, I find it a little difficult, a little difficult to understand how when Senator Beyer is getting a 1000 percent increase over what they had budgeted for with my own formula he thinks he needs another two or three hundred percent increase. You know you can get too greedy. You can get too vicious. You can get too mean. And then you have what they had in the Colonies. They had something called the Boston Tea Party and after that it was difficult for anybody to get along until they got the whole thing settled. Now, Omaha people who are so anxious to get that extra 500 thousand or million or million and a half at our expense, when we are already taking it in the shorts so bad that it makes us cry, they want to get that extra money, I would remind those good people on the Good Ship Omaha that through your various years it was those rural Senators, the Hefners, and Lambs and Kahles and Johnnies and Schmits and Cals, who were the tugboat to pull the Good Ship Omaha through some awful troubled waters, and we are the ones you are counting on this year.

SPEAKER MARVEL: You have one minute.

SENATOR DeCAMP: We are the ones once again on one issue after another that you Good Ship Omaha people are relying on. I think this final act, I would say, of greed, humiliation to us, we can't go back to our people and tell them anything, is pushing it a trifle far, and you may end up with a Boston Tea Party and all the packages in the drink. I would urge you, if you really have legitimate proposals, to work with the vehicle you have. The committee put out a bill. They worked on it hard, and I don't even know that I can personally support the valuation bill as a number of other Senators can't unless we can at least adapt for one year some little pot to cover us for a little while. That's how bad it is out in my counties. You don't need to humiliate us any more.

SPEAKER MARVEL: Before we proceed, underneath the

south balcony it is my privilege to introduce Senator Maresh's sister-in-law, Mrs. Edward Maresh, who is a resident of Senator Fowler's District. We welcome you to the Unicameral. Senator Lamb.

SENATOR LAMB: Mr. Speaker and members of the Legislature, I rise to oppose bringing 390 out of the committee. I think we should look back a few years and see how this controversy began. LB 518 was passed which exempted certain properties from...personal properties from taxation, but at the same time the \$70 million was passed, was allotted, to replace that personal property tax which was lost. That was the original bill. That was the original commitment. The original commitment was, we are going to do something about some of those property taxes that the majority of this Legislature said were unfair, and what are we going to do to help the subdivisions which are hurt by the loss of that money. We are going to allot \$70 million which will be divided up on the basis of the money that was lost. So now we have come down here a few years later, we are changing, we are changing the situation. We are going to leave the original provisions of 518 which take property tax off the roll, but now we are going to change the formula by which this money is distributed back to the subdivisions. So our original commitment is not being upheld. I would just like to give you an example of what this does to some of the rural areas. Now, we recognize that we are going to lose money under any situation, under any of the proposals that have been brought before this Legislature or before any of the committees, the rural areas are going to lose money, substantial amounts of money. All we are talking about is the degree, anything that has population in it further wrecks this. Now, if we go with LB 254, Senator DeCamp's bill which puts the distribution on the basis of real estate valuations, we lose much money. Anything with population in it just intensifies that loss. I will give you an example at Cherry County. Under the present LB 882 formula, Cherry County gets \$728,000; under Senator DeCamp's bill, 254, \$567,000. So under best of worlds, the loss is one-third. How we consider LB 390 under the 80-20 provision, it goes down to \$490,000, and under the 50-50 percent, it goes down to \$419,000. So it is a terrific loss no matter how you look at it. If you put population in there, it is entirely unacceptable. And let's talk for a minute about the 80-20 so-called compromise. In my opinion, that is not a compromise at all, this is just a method of getting population into the formula

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to begin with. This establishes a precedent. Then we will see in future Legislatures, we will see efforts to change that 80-20. It will soon, I predict, be 50-50. It will not stay at 80-20. I certainly oppose bringing LB 390 out of committee. I hope you will not do that. Thank you.

SENATOR CLARK PRESIDING

SENATOR CLARK: Senator Kahle.

SENATOR KAHLE: Mr. President and members of the body, I wrote this speech last night while I was listening to the debate on 319. Maybe that was a mistake. I am not sure. I should feel pretty good this morning because of the rain. But I want to give you my reasons and I am a member of the Revenue Committee, I believe the first one that has spoken. Valuation has a more direct tie to personal property tax that was lost some years back as Senator Lamb has mentioned. The loss of funds planned on in LB 882 are real to the people out in my district and LB 882, whether you like it or not or whether the courts like it or not, did pass this body. You have sheets passed out where not all counties and subdivisions did budget the entire amount. Well, I think they were pretty smart because they didn't know what they were going to get, and this proves it. It is inconceivable for me to understand how those of you who worked so hard to get population into the formula are the ones who already win the extra funds over LB 882. Using the valuation as a distributing factor, you still win a great amount. I am hurt that you have no concern for those of us who lost and want to inflict even a greater loss on us. I am also disappointed at the Chairman of the Revenue Committee who cannot abide by the decision made by the committee he Chairs. He keeps bringing up the decisions made by the Revenue Committee of last year. I did not ask to be on the Revenue Committee to be rubber stamped for last year's members, and when I feel my area citizens are getting a raw deal, I will not accept it without a struggle. I would rather put some of the personal property tax back on than to have this burden fall entirely upon personal property tax...or upon real estate tax. Some Senators from the urban areas seem to think they can walk all over us country yokels and still get what they want in their pet program in the big city. I have always worked with the urban Senators but I can and will throw every roadblock into the way of your priorities if I have to.

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This is a game two can play. We seem to be the bad guys because we are fighting for our people and we are told we must accept a population factor so the fat cats can get even bigger and a bigger chunk of the pie. There is no county that loses who would have more by putting any population in the factor. They only lose more. It just isn't fair. We keep hearing that urban people pay more of the sales tax than we do. I do not believe this is a fact. It just cannot be possible as we pay some \$18 to \$20 million in farm machinery sales tax alone each year by your own figures and admission, and we also shop in your areas while some of you can count the times you have been west of Lincoln. I am sorry you feel this way, because I feel we should work together and not sell each other down the river. It is up to you. We can survive one way or the other. We always have. I might also say that there were the votes in the committee, I think, to kill LB 390 but we were gentlemen and didn't twist the knife when we had the chance. Thank you.

SENATOR CLARK: Senator Hefner.

SENATOR HEFNER: Mr. President and members of the body, I rise to oppose this motion, and I certainly hate to go against my good friend, Senator Carsten, who is Chairman of the Revenue Committee. I happen to be Vice Chairman of this committee, but before I go any further I would just like to say to you, let's analyze our committee system here in the Legislature. I think this is very important. Here in Nebraska we have a Unicameral. We are the only one in the United States that have this form of state government, and I think it is a good government. It is a good form of government. And I feel that the committee system is very important to make the Unicameral work. Our committees work long and hard. You saw last night the Education Committee was here until about midnight. These committee members are dedicated in trying to find a solution that will make Nebraska a better state to live in. At these committee hearings we hear both the pros and cons, and some of them last many hours. I feel that our citizens in Nebraska feel that they need to get their input and this is what happened when we heard the bills, LB 284, LB 390, LB 524, before the Revenue Committee. Citizens came near and far to testify to tell their story of what they wanted this committee and this Legislature to do. I think the committee system in our Unicameral is a very strong point and I do not feel that we want to deteriorate from this. By raising this bill, LB 390, to the floor I feel would be bypassing the Revenue Committee,

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and therefore, I would urge you to certainly vote against it. The Revenue Committee by a 5 to 3 margin voted out 284. That was the bill that would just use valuation in the distribution of the \$70 million. I think that valuation is the way to go. The legislative District that I represent still loses a lot of money with this valuation, but I am willing to compromise so that we get something out. Going the 80-20 route, I would still lose a little more. Some of the urban Senators say, well, we are willing to compromise. Well, certainly, it isn't hard to compromise when you get the best of both ends. I think that this bill, 390, favors the more heavily populated areas, and I would just like to say to you this morning, I feel that I am backed in a corner and when you are backed in a corner you will finally come out fighting, just like a dog or a fox would do.

SENATOR CLARK: You have one minute.

SENATOR HEFNER: Another question that I have to this body is, how is population...how is population of a county or a local government tied to the elimination of the personal property tax? I feel it has no connection whatsoever. I feel that real estate valuation is directly tied to the personal property valuation, not population, and therefore, I would urge you to vote against this bill.

SENATOR CLARK: Senator Burrows.

SENATOR BURROWS: Mr. Chairman and members of the body, I don't think it has been brought out that when you shift from valuation it is the closest thing we could find in the Revenue Committee to continue the distribution of the personal property tax relief fund, a fund that was set up to replace the inventories we took off, the car dealers, the farm equipment, the whole bit, and enough urban Senators voted for the bill...I happened to oppose 518, that they put it across. Now when it comes to a problem, a constitutional problem on continuing what the Legislature committed to, we end up in a tie-up. We are tied up in the Legislature looking at an issue from a standpoint of who can get the most bucks. Just as simple as pie, equity has nothing to do with it. If you talk about equity, you ought to talk about the income levels of the counties involved from a standpoint of a Legislature that is concerned where the real problem exists out there, and the rural counties are the low income counties. LB 390 just pulls

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in a population factor to shift dollars to the richest income counties of the state, away from the low income counties. They are high by property valuations, but they are low income counties. Keyapaha County, Johnson County, the low income counties are already losing the funds that were promised to them under 518. We are just going to further the loss for the low income counties, so if you want equity, if you take income as a criteria, we already lost it when we took the valuation, because without exception the strictly rural low income counties are losing already when you put it out 100 percent valuation. Now, the only issue up here is to get some more bucks for the urban areas that have the best income base in the state. It is as simple as pie. We are hooped on the state aid formula ruralwise. We don't get our share out of that because of the qualifying mill levies, and this was the only balancing force in there. We had \$70 million going out here that favored the rural areas. We've got \$95 million going out in the state aid formula that already is weighted to the urban areas. I strongly urge the body to look at the income abilities of the counties and leave this one...leave the bill as it is right where it sits in the Revenue Committee and let the rural low income counties have a little bit of edge on this. Equity based on properties out there, that is not the issue, it's income issue. We need the dollars that are already getting ripped off, and I urge the body to put it out straight valuation and give these low income counties a break and give them all the break we can. Thank you.

SENATOR CLARK: Senator Haberman.

SENATOR HABERMAN: Mr. President, members of the Unicameral, I say, shame on you, Carol Pirsch, Bernice Labedz, Chris Beutler, Glenn Goodrich, Shirley Marsh, Don Wesely, David Landis, Tom Fitzgerald, David Newell and Gerry Koch. Remember last year, you new Senators please listen to this, remember last year when we came to the school aid formula, what did the rural Senators do? We gave you what you wanted, more weight and more money for your schools. We took the short end in the school distribution formula for your support for LB 882. Now there was some questions about LB 882 being constitutional, but we said, we know our friends from the cities and the urban affairs, they won't let us down. If 882 is unconstitutional, they will come back and be fair and play the ball game the way it is supposed to be played. We know this because we worked with you. We have helped you. We want to work with you and help you. This is

the only way we are going to get anything accomplished down here, redistricting sales tax. We want to work with you. So what did we do last year? We gave you more money in exchange for your support of 882. Now, 882 is unconstitutional and what do you do? You come in here and say, well, we have got the school money now we want the rest of the money. Is that the kind of Senators you want to be? Aw, you are not that kind of Senators. You are not that greedy. You know that the valuation was where the \$70 million was put on in the first place, was on valuation. How can you forget in such a few short months the comradeship and the fellowship and the cooperation that we had, Davie Newell, how can you forget that in a few months? Davie says, it's easy, comes to money. Money means more, it's easy. So new members, I say to you, this was the situation a few months ago. We gave...we gave and we explained to our schools why we gave. We gave them the benefit on the school aid because they helped us on 882 and now what happened, Senator Carsten, you are coming back and you want the whole pie. Well, I just don't believe that you would do that to the counties. All of my counties lose money, thousands of dollars, but one county makes \$15,000. So I called up those people and I said, what do you want to do? And they said, Rex, you go for the best of the District, we will give up...we will give up the \$15,000 we would get under the 80-20 so that the rest of the District can gain. Now, that made me feel good. Now I come down here and I find out that my fellow Senators who represent the State of Nebraska as well as their own Districts, are saying, bygones are bygones, we got the money in our jeans, we got the money in our pockets...

SENATOR CLARK: You have one minute.

SENATOR HABERMAN: ...and we are going to keep it and if we can take advantage of you for a few bucks we are going to do it. So I say to you, let's go with the committee, let's leave 390 where it is. Thank you, Mr. President.

SENATOR CLARK: Senator Newell.

SENATOR NEWELL: Mr. President, members of the Legislature, I stand before you today urging that this body bring 390 out of the committee. I have heard a great deal of discussion and talk about the urban areas being unfair and asking for some population factor or some population formula. You know, I think we have to discuss this in terms and the context of what is unfair

and what is fair, the history of 1241, 518, 882 and LB 390, and I would like to do that rather quickly if I could. So if we could follow along, I think that would be very helpful. 1241 was the bill that started us on this personal property tax exemption, and we probably should have never made that step, but the step was taken and it was taken in basically what was the most unfair formula that you could possibly have. Basically, we said, what we will do is we will say that inventories for agriculture and for business will be exempted. But that wasn't enough, we had to sweeten the pie and when we did we created the basic unfairness that has created the problem that we have today, and that basic unfairness was because rural legislators were providing most of the support since the urban areas were divided because the wage earners didn't get anything out of this sort of deal. They said, we deserve the bulk of the exemptions and so you should throw in farm machinery, and when you did that, you created the great, great problem. The problem is that we in the urban areas got to pay for property tax exemptions that we never benefited from, nor did the business men benefit from. Basically, the money came to the state from all over the state, more sales and income tax revenues from urban areas than from rural areas came to the state but then when it got to the state, it was divided up \$2 for rural areas, \$1 for urban areas. LB 518 continued that kind of injustice. LB 882 continued that kind of injustice, and the Supreme Court naturally, wisely, in fact, we knew that 882 was unconstitutional, said, in fact, it is unconstitutional. And now we are here trying to divide \$70 million. Now we had a bill last year, LB 691. LB 691 divided the money on a 50-50 basis, and that bill came out to this floor and by a one vote margin it died. We passed 882. Now, frankly, we have come a long ways in terms of compromising. This year when Senator Carsten, the Chairman of the Revenue Committee, came to Senator Johnson and I and said, Senator Newell, Senator Johnson, you ought to be reasonable, you ought to help me avoid an urban-rural confrontation. Instead of 50-50 as the bill was written, I think we ought to accept 80-20. We have got to distribute the money. We are in a hurry to do that. Twenty percent is a token amount but it is population. You can save face with twenty percent, and we said to Senator Carsten, okay, not without reservations, not without thoughts that it wasn't basically fair, not without some real grave questions but looking at what was needed to distribute that money, the fact that we need 33 votes for

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the emergency clause, we said to Senator Carsten, Mr. Chairman, we will follow your lead, and we did. I thought that the 80-20 would be accepted in a minute and it was. The first day there were six people that said they were for the 80-20, they thought it was fair and just. But we did not...six out of eight members of that committee said it was fair and just and we would have put that bill out except that some people wanted to look at some other possible changes. They wanted to look at Senator Schmit's bill and some other possible situations. And so we wasted some time. We allowed another week to go by and in that week there was this tremendous change of heart. This change of heart from four to we want it all, we want straight valuation, we are not going to compromise, we won't even let you save face by giving you 20 percent, there ain't going to be no tokens for you folks, you know, we are going to puff it out and we have got the votes and so that is the way it is going to be. The committee changed....

SENATOR CLARK: Senator Newell, your time is up. I'm sorry.

SENATOR NEWELL: Could I have a one minute warning next time, Senator Clark, just...

SENATOR CLARK: No, we are going five minutes on each one.

SENATOR NEWELL: Well, if I could have a one minute warning, that would help me prepare to come down and close up.

SENATOR CLARK: Senator Wagner is next.

SENATOR WAGNER: Mr. Speaker and members, I am a member of the Revenue Committee and I don't take any delight getting up here and talking about this motion, but I will tell you I don't really have any problem getting up here when I represent seven counties. I represent Loup County, it takes a loss. I have got Garfield County, it takes a loss. I have got Wheeler County, it takes a loss. I have got Valley County, it takes a loss. Greeley County takes a loss. Sherman County takes a loss, and Howard County takes a loss. I really kind of think maybe Senator Newell wants...he just kind of feels like we need to bleed. We are bleeding now. I just wonder how much more you want us to bleed out there. And I might kind of close here by saying that

maybe Senator Newell wants all the marbles, the bag of marbles and so forth, including the whole sack, I feel like. Senator Carsten had made a comment about Senator DeCamp and his magic wand. As far as I am concerned, Senator DeCamp had nothing to do with the bill that came out. I actually supported 524. It was probably a compromise within the committee to see which one was going to come out. I would like to have seen 524 come out because it has got some good concepts. It has got some long range concepts. I have tried to understand some of the Omaha problems since I have been down here, and it really looks like sometimes it gets to be a lopsided affair, and I just kind of urge you to take a good look at things and give us some consideration out there, and I oppose this motion.

SENATOR CLARK: Senator Schmit.

SENATOR SCHMIT: Mr. President and members of the Legislature, first of all, I want you to take a look at the proposal that has been passed out by Senator Carsten, which refers to LB 882, the 80-20 valuation and the LB 882 amounts budgeted. Senator Carsten said that he called your attention to the fact that you are not bringing to the floor the 80-20 version, but most of the people in this body think that that is what is coming to the floor. The fact is you are bringing to the floor the 50-50 version. As has been pointed out by Senator Lamb and several others here, the 80-20 is merely a little bit of a carrot to suck in a few unsuspecting people secure in the illusion that when you get it to the floor you have 80-20 all right, ladies and gentlemen, but the figures will be reversed and eventually it will be all population. Now, remember last year as Senator Haberman pointed out when we found out that the Omaha school districts and the Lincoln districts weren't nearly as poor as they had purported themselves to be for many, many years, we quickly rewrote the formula to favor those districts again, and you didn't find any problem with the rural areas because we recognized the peculiar problems that persist in urban education and the vast responsibility that you have and we recognized it. Under the personal property tax exemption, this Legislature made a commitment to return to the subdivisions the funds they lost as a result of those exemptions. We did not talk about dividing up a new kind of a pie. We said we would hold you harmless, we would return to you those funds you lost. It became apparent to me after several years that it was going to become increasingly difficult to

do that. We tried several formulas, one of which the Attorney General said he did not think was constitutional and another which the Supreme Court said was not. I worked for several years to attempt to draw a bill which is fair to both urban and rural people, and I have before the Revenue Committee now a bill, LB 524, which drew no opposition at the public hearing. Cities, counties, schools, rural people, business people, everyone supported the bill. The only slight reservation on behalf of the City of Omaha, and when I told Mr. Richardson what I planned to do to correct that problem, he said he liked the concept in 524 and he could support that concept. If we are going to get away from the process of returning to the subdivisions the funds they lost, then we should review as I have indicated in 524 all of the various return of funds from the various funds which now total several hundred million dollars. LB 524 was a bill so ultimately fair to the urban areas that Senator Newell and Senator Johnson could not find fault with it. But I would have to say the only reason that they would not vote to support that bill, would not put that bill to the floor, is because they did not want someone not a member of the Revenue Committee to draft that bill with which we would work. I would suggest that the concept of 524 will eventually, as Senator Carsten has told me, be accepted by this Legislature...

SPEAKER MARVEL PRESIDING

SPEAKER MARVEL: You have one minute.

SENATOR SCHMIT: ...but in the meantime, if 390 is written into law, there will be no new effort made because the overwhelming odds will be against the rural areas. I want to say also my District benefits from the concept of 390, but it is wrong to return the funds in a manner which we agreed we would not do when we exempted the tax ^{on} personal property. We do not want to reach the point where we decide the issue based only upon how much of the pie am I going to get, because when that happens, it becomes a dog and cat fight on every single bill in this Legislature. So I ask all of you to review very carefully the long range impact of what you are doing if you vote to bring LB 390 to the floor. You may amend 284 to do exactly the same thing. I may try to amend LB 284 to place in the concept of 524. That is my prerogative as a legislator.

SPEAKER MARVEL: Your time is up.

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SENATOR SCHMIT: And I would hope that you would follow that procedure rather than to take this unusual procedure which...(mike turned off).

SPEAKER MARVEL: Senator DeCamp.

SENATOR DeCAMP: Mr. President, one of the most oft used terms in the newspapers ever since I have been here on a major issue is, where is the rural-urban split? Headlines, they love that rural-urban split. I guarantee you for all the eleven years I have been here and I will document it in thirty seconds, there has never been a rural-urban split. There has been urban-urban split. Lincoln always voted against every cotton pickin' Omaha sales tax proposal, remember? Every Lincoln newspaper editorialized against it day in and day out. Yes, you urbans, you squabble among yourselves and cut each other's throats. We are accustomed to that. But whatever you needed on either side of the question, you came to the Cals and the Johnnies and the Schmits and the Kahles. That is how you got it for all your urban stuff. I guarantee you there is now a rural-urban split and the Crown Prince of it all is Senator Newell, and Crown Prince Davie can lead your Omaha delegation to success and have his urban-rural split that he has been working for for so cotton pickin' long. He may have won her now this morning, depending upon what happens. Davie told you that Omaha pays all the sales tax, didn't he? Well, almost all, sure we cowboys out there, we pay a dime or two. Davie forgot, I think, that we go to Omaha, we send our kiddies to Lincoln. We probably pay as much sales tax if not more per man out there than Davie thinks. Omaha is our supply center. Lincoln is our everything. We are paying that sales tax and financing the City of Lincoln and financing the City of Omaha and we go along with it. Last year, as Senator Haberman correctly stated, we repeatedly stood up on the floor and pointed out that once...once we had equalization, Omaha and Lincoln suddenly changed all the rules of the game, redid the whole state aid formula and literally walked away with their hands full of cash and we said, okay, we are going along with it because we know that there is a balance on the 882 issue. We know you can argue and say, well, there is rurals getting a little more because they had more cows and pigs and horses than Omaha did, we let you do it. Now you are getting a little greedy, don't you think? We are giving you most of the money and you are saying, we want to stick it in deeper and hurt you a little more. Davie laid it out pretty clear what he is really after. Davie wants even one percent of population in there so that

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next year he can come back, 20, 30, 50, 80, he wants to destroy a formula that would work and settle this issue forever. I think if Omahans, and Lincolniters and Sarpy Countyites are really sincere in settling the personal property tax issue and not opening every Pandora's Box on state aid and everything else, and not having a rural-urban split forever, that they would accept the very gracious amounts of money we are dumping on them and not come and try to get in our knickers for a little bit more. That extra few dollars you are going to get just isn't worth the price, I don't think.

SPEAKER MARVEL: Senator Koch.

SENATOR KOCH: Mr. Speaker and members of the body, it wasn't my intent to get involved in this argument because I have been in it ever since I have been here. I was one of the few urban Senators that supported 518 without a doubt in my mind. I have argued with Senator Schmit over the formula ever since its inception. He knows I have. We are all going to talk about our fiefdoms. I will tell you what my school district lost where I live, \$19 million. You know what they get back under the stinking formula? A little over \$500,000. You know what one mill means on \$19 million? A \$190,000. And that is a fact. I get a little tired of people throwing things around here carelessly and stretching the truth. I heard enough of that last night. I have always tried to work with those people who come from greater Nebraska and I always will, but I get a little tired of you people using state aid carelessly. If you made a deal last year, John, I didn't know anything about it because I sat with you and Schmit and Fowler, Lewis, enough of us over here one night trying to make a determination with Senator Warner what bills were important in terms of finances. We made a commitment. What the hell happened to that commitment the last couple of days? Who went over and told the Governor what they would and would not do? There are a couple of us that have kept our commitments, and if you made a deal with me on state aid, you didn't tell me. I am getting tired of reading the newspapers what the deals are down here and who makes them. If it is going to be truth time, I am going to lay it on the board. Pride of authorship, isn't that great. Some day in history you are going to be recorded in the annals of men of profile and courage, and I would like to be around long enough to see who they record. We made no deal with you over state aid. In fact, I bent over backward on the state aid formula to try to give as fair

a deal as I could, and don't think I didn't, and check that state aid formula and see how bad it is. Give me the \$41 million, Senator Schmit, and put it in the state aid formula and none of the schools will gripe about it. Just put the \$41 million in the state aid formula and then go ahead and get a formula for cities and counties and I could care less. But I am getting a little bit upset about this formula. Senator Schmit told me last year 882 was a very good thing and I argued with him about it. He said, you will be all right, Gerry, you will be all right. This bill is constitutional. It was not constitutional. I would support any kind of a fair, equitable formula here today. I am not committed to take money away from those who deserve it, but if you want to talk about your system where you live, I told you where I live and I can get the facts to prove it, the figures. \$19 million under 518 came out of School District 54, and we get back \$556,000, and I say start putting mills against it and see how long it takes you to get that. You will never recover that base, but I will tell you who is paying for it, the homeowners in that School District 54, and I am surprised they haven't taken me to task for my votes down here in trying to get some kind of reasonable judgment and sense. So let's sit here, let's all argue, let's all make commitments but never shall we sit down and reason together and I commend Senator Carsten because I know what it is to sometimes make some difficult decisions, and I don't think Senator Carsten has deserted the rural nor is he trying to give it all to the urban. I think Senator Carsten is trying to get something on this floor to free up \$70 million which should have been distributed on time. We all know that \$70 million was two years ago purchasing power, not tomorrow's. We are not really giving back anything to those people. We took it away and we are sort of apologizing for what we are trying to give back. Thank you.

SPEAKER MARVEL: Now some of you have spoken twice. Some of you are up for the first time. If we make errors, you will have to excuse us, we do the best we can. I am going to try to stagger this so that the pros and cons will get equal weight. So if some of you feel that you have not been called upon, be a little patient. The Chair recognizes Senator Vard Johnson.

SENATOR V. JOHNSON: Mr. Speaker and members of the body, I, as one of the signers of the motion to raise LB 390, of course, am speaking on behalf of that motion. I have been a member of the Revenue Committee, this is my

third year now, and in some dispassionate moments I have been able to observe what I think is a genuine sense of class warfare and class consciousness in the way we tax in Nebraska, and in hearing the acrimony this morning on the floor of the Legislature I become all the more convinced that each member has a deep sense of terrible injustice that is being done in his district. Senator DeCamp uses all kinds of sexual illusions about our getting into his people's knickers, etcetera, as we attempt to take their money, and Senator Kahle talks with a great deal of passion about how once again the urban Senators have their....demonstrate their greed and the like, and there is a tremendous amount of passion on this subject, I think more passion, frankly, than enlightened people like us should demonstrate. Let me just talk about a few of the truths and let me just tell you why the urban Senators do feel as they feel on the subject. Douglas County contributes about a third of the state's sales and income tax revenue. We give about a third of it, and that is because we are a sales rich area and some of our sales come from Dodge County folk and they come from Antelope County folk, and no question at all about that, and we are an income rich area. We contribute about a third of the state's income tax base. But the one place where we are dirt poor is property. We don't have property wealth in Douglas County, but our local government has got to rely on property as its source of tax wealth, that is all it has got to look to essentially, that, plus the state aid that comes down. Now the State of Nebraska contributes \$300 million annually to all local subdivisions in the form of distributed funds. But, you know, out of the \$300 million that the State of Nebraska contributes, Douglas County only receives 22 percent of that. Whereas, it is contributing a third of the state's sales and income taxes, it is receiving back in state aid to local government 22 percent. So what that means simply is that the Douglas County folk have got to look to their poorest property tax...their poorest tax source, the property, to finance local government, and they have got to dig more deeply into their pockets to be able to finance local government, and as a result, we in Douglas County sit with the highest tax in this state on our homes. Right now our homes are being taxed at 2 1/2 percent of actual value, and that means if I have got a \$100,000 house in Douglas County, which I don't have, I have to pay a tax of \$2500 on my house. The American Commission on Intergovernmental Relations says simply that if a state permits its residential property tax to exceed 1.5 percent

of actual value it is going to have a taxpayer revolt, and we have that in Douglas County. That's why we have a voter put lid on the Omaha school system. While in some respects they were striking out against what was happening in the schools, in many respects they were striking out against the tax structure and the sense of inequity that we urbanites feel. Now compare, for example, what does happen to somebody who pays a tax on a house to somebody who pays a tax on agricultural land. Every member in this body knows that ag land is valued differently than residential housing. Senator DeCamp knows this more than anybody else, than anybody else, that our house will be valued on the basis of what it would sell for, and that means that our assessors go out and they do a windshield inspection, and they compare house to current sales and they get a good value on that house, but agricultural land will be valued on net income flow, capitalized, which will result in a tax value substantially less than a residential value. You know, I said a \$100,000 worth of housing....

SPEAKER MARVEL: You have got one minute.

SENATOR V. JOHNSON:in Douglas County would bear a tax of \$2,500. Do you know how much \$2,500 in taxes would probably be attributed to in agricultural land? About \$900,000. About \$900,000 because of the difference in the method of valuation. This LB 390, incidentally, already has on it the committee amendment. The committee amendment is the 80 percent valuation, 80 percent population amendment. We have put it on. We put it on in committee. We put it on in committee, it was done. But we couldn't get the votes to move the bill out. All the urban folk are asking for is some small compromise so we frankly don't walk away feeling like we have been had again, and I think statesmanship is the art of compromise.

SPEAKER MARVEL: Your time is up.

SENATOR V. JOHNSON: Thank you.

SPEAKER MARVEL: Senator Maresh, I am going to call on you next, but before we call on you I would like to introduce from Bill Barrett's District Number 39 in the north balcony, 18 students from District 100 R near Gothenberg and 2 teachers and 4 sets of parents. Where are you located? Will you just....welcome to the Unicameral. And also from Gothenberg, Nebraska....well these are the same. The teacher is Jennie Gutierrez. All right, Senator Maresh, the floor is yours.

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SENATOR MARESH: Thank you, Mr. Speaker. One thing that hasn't been brought out is the committee system. Are we going to sit here as the Revenue Committee today and decide which bill stays in committee and which comes out? I think this is an important issue. Why do we have a committee system? These people will consider this bill for weeks and weeks, all the bills, I should say, and now why should we come out with a bill that they didn't approve. Five to three the vote was, so I think that we should not consider LB 390 but 284. Thank you.

SPEAKER MARVEL: Where is Senator Nichol? Senator Hoagland.

SENATOR HOAGLAND: Mr. Speaker, I would like to yield my time to Senator Newell, if I might.

SPEAKER MARVEL: Senator Newell? Okay.

SENATOR NEWELL: Mr. President and members of the body, I didn't get a chance to finish my statements before, and I would like to just talk for a minute since Senator DeCamp has raised the issue of one of the primary reasons why urban areas, and we are not talking about Omaha and Lincoln, we are talking about Norfolk and Fremont and Grand Island and Hastings, and other cities in this state, you know, they are not just Omaha and Lincoln. It is easy and it is nice to try to isolate those communities and it has been a tactic that has been often used on this floor. But there are other cities, metropolitan areas in this state. I would like to say... just make this one key point, Senator DeCamp, as we all can remember has tried repeatedly throughout the years to raise ag land to actual value to the sales assessment ratio. Senator DeCamp has offered amendments on this floor. Every bill he has offered, has it stuck somewhere hidden in the dark recesses of the bill, the argument that ag land, agricultural land, should be raised to that sales assessment ratio. Now, everybody here knows exactly what that will do. That will make some tremendous changes within rural counties between who pays the taxes. Now my difficulty is simply this, that if you go straight valuation you allow Senator DeCamp or some citizen of Hastings or Norfolk or Grand Island or Scottsbluff, you allow some individual a real incentive to take the court case to the Supreme Court that argues for ag land to be at the sales assessment ratio, to be ag land to be valued at the same price, the same price as urban residences, and when that happens

with the straight valuation formula, when that happens, what you see is the money, the shift of money, being so dramatic to rural areas, to rural areas. At the same time you see that sort of change, what happens in those rural counties is going to be that ag land is going to be up, that small town residences are going to be down, and that is what we are arguing for. Twenty percent allows us a population formula, so that if and when that happens we will be able to come back to this Legislature and say, look, population is a factor, and since this change has taken place, we ought not allow this distribution to be so lopsided. But there is other agendas here. There is other agendas and there is other issues involved in this whole question. It is not the grubby urban legislators trying to steal everything they possibly can steal. The question is equity and political reason. Thirty legislators on this floor will benefit with the population factor. Thirty legislators will benefit with the population factor when you look at their entire districts. Now, I mean their home county may not benefit, but when you look at the overall benefits, thirty legislators benefit from that kind of a factor, and we are saying we are going to ignore that, we are not going to allow even a little bit of that. All we are asking for is a token amount, something we can go back home and say, look, it's there, we are protected, we are protected against the day the ag land becomes, if it is to become and I don't think there is any farmer in the state that wants to see ag land valued at actual value, but we will be protected against that day. That is the issue. It is not Senator DeCamp's "Senator Newell is trying to get 20 percent this year and 40 percent the next year," etcetera, etcetera. We agreed to 20 percent. We made that compromise. It is a reasonable compromise. It is a token amount that is face-saving and that is why we agreed to it. But the issue here is only that, and Senator DeCamp's arguments that we are trying to...that this is the first step in the big, big picture I think is not only unfair but it is not true. We wouldn't be able to have as many people sign that request. We wouldn't have as many people look at that whole issue. We are trying to find political fairness and we are trying to get 33 votes to distribute \$70 million.

SPEAKER MARVEL: Thirty seconds.

SENATOR NEWELL: And you have got to allow us to save a little face so we can go along with you. Thank you.

SPEAKER MARVEL: Senator Howard Peterson and then we will

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call on Senator Nichol after that.

SENATOR H. PETERSON: Mr. Speaker and members of the Legislature, I am one of those individuals that changed his mind on the 80-20 formula. I am one of those individuals that asked to receive the figures on the budgeted amounts under LB 882. I figured that if we could look at those figures, and I invite you to look at those figures, we would know a little better what the problem was as far as the subdivisions of government are concerned. And I would ask you to look at Douglas County where they budgeted \$8,864,000; under 284 they will get \$12,569,000; under LB 390 they will get \$15,482,000. Does Douglas County need twice as much money as they budgeted? Look at Lancaster County. Lancaster County budgeted \$4,574,000. Under 284 they get \$6,885,000; under 390 they get \$7,819,000. Does Lancaster County need twice as much money? The same thing is true with Sarpy County. There is an old saying, the root of all evil is money, and I think that is the root of the problem today, is money. I think we have got to be realistic enough. I can look at Hall County. I can see that we would get more money out of 390, but I think as a Senator on this floor I have to be fair, and I think we have to be fair with our rural friends as well as with the urban people. I am realistic enough to realize that Grand Island wouldn't exist if it weren't for agriculture. I don't know what you Omaha people think, but I can tell you, you wouldn't exist in this state if it wasn't for agriculture. So it is time for us to wake up to the fact that agriculture is basic to this state.

SPEAKER MARVEL: Senator Nichol, and then Senator Sieck. Is Senator Sieck in the room?

SENATOR NICHOL: Mr. Chairman and members of the Legislature, Senator Rumery just told me, Senator Howard Peterson, that the love of money is the root of all evil. Now he is the biblical authority and I am not, so I just passed this to you for what it is worth. This has been very interesting to me this morning and I have been watching as some of you who have been talking and I have been looking at the figures and it almost invariably held true with the exception of Senator Burrows that the formula you were in favor of did your county or your area or several counties the most good. I don't pick at you for that. I would do that too if I had a formula that would do me any good. Now someone mentioned a while ago that they would go with a fair formula. I don't think that is what they meant at all. I think

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what they meant was, I would go with any formula that I thought was fair, not what was fair. So we all have our own opinion. I have been hearing this morning rural versus urban. I am a unique Senator, I am both. And if you will look, any formula you want to look at, I am number one at getting ferschnizeled (phonetic) on these formulas. I am number one, the most money of any area in any formula you want to look at. I just looked at a new one. It treats me worse yet. I am going downhill. One other thing I would like to mention. We made a commitment last year in amount of money. Are we going to honor that commitment or are we going to weasle out under it because the Attorney General said you can't do it? This is one of the things we should honestly and morally ask ourselves. Maybe we just walk away and say, well, the Attorney General said this and that's his opinion so we will just...to heck with you counties, cities and schools out there, we will just not do it. Another thing that bothers me about this bill is, we are not addressing what really we are attempting to replace. You wonder why I am in this bad situation losing a million bucks in my District. The reason is, we had personal property valued at what it ought to be valued, so when you are honest in this state apparently you are the one that gets the short end of the stick. Is this what we are going to condone and say here by not addressing personal property that was properly assessed at the time we forgave the taxes on that particular thing? I don't think any formula or any bill we have had, and I will ask Senator DeCamp if he has something in mind on his bill, which I don't know about and I have heard rumors that he may have something to do with that. Senator DeCamp, is there something in your bill that has to do with the situation whereby any district that is losing would be somewhat made whole for the year 1980-'81?

SPEAKER MARVEL: Okay.

SENATOR DeCAMP: Mr. President and Senator Nichol, indeed, that portion was stricken from the bill by the committee. There is an opinion from the Attorney General that says this attempt, the way I am doing it, is unconstitutional. What I am trying to do is because there is such massive impact for this one year and you are a good example, believe me, on numberswise in terms of people there I am just as bad as you are, or hurt even worse on it per person, I have talked with the Attorney General. I have had contact with attorneys that actually filed the suit that undid the \$70 million. We all believe, I think

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it is fair to state, that there is a method to have at least a one year system that will probably hold up that would bail them out of this one year damage. I am going to be offering that on the floor because, as I stated earlier, I don't know that I could in good conscience even vote for my own bill, even though it is...I am defending it here, unless I could do this other thing because it does so much damage to my area in terms of what was originally promised. So, yes, I have that. Yes, I will present it and I think we will have a constitutional formula to do that for the one year and it won't cost that much, maybe \$4 or \$5 million dollars. I think you would get about a fourth of it.

SENATOR NICHOL: Well, Senator DeCamp, it isn't that I am here stumping necessarily to have an advantage over any other area. I don't think that is fair either, but I do think that your bill has something and if you can work this out, this will be in accordance with the magic wand that you wave. Thank you. Thank you, Mr. President.

SPEAKER MARVEL: Senator Sieck, and then Senator Fowler.

SENATOR SIECK: Yes, Mr. President and members of the body....

SPEAKER MARVEL: Senator Sieck.

SENATOR SIECK:I do not support getting 390 out of the bill. I have been opposed to it last year when I was on the Revenue Committee and I am still opposed to it because I feel when I looked at 882 and looked at 390 a year ago at the 80-20 formula, my District, it would not make a bit of difference in the amount of money that we would get with 882 or with 390. But in looking at the western part of the state, we were really selling them down the drain and I just absolutely could not do this, and I feel the same way today. I felt that this bill, this 284 which we have on the floor at the present time, is the bill for this year. I feel that eventually we should get rid of the total \$70 million and come up with a new tax package for the State of Nebraska. I would like to see each individual county, each subdivision support themselves and I think we would find that Omaha would be surprised what it would cost them. And looking at LB 153 which I brought to the committee, I discovered that Omaha is getting from out-state Nebraska almost \$6 million additional taxes from the 1 1/2 sales tax. If we would go on population and school district basis or school children basis, they

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would get \$6 million less on a statewide 1 1/2 sales tax, so that means that they are getting money from other areas of the state. I would like to ask a question of Senator Schmit. I noticed that he sent out a new formula here and I want him to explain what he means by "new". Senator Schmit, will you respond?

SPEAKER MARVEL: Senator Schmit, do you yield to the question?

SENATOR SCHMIT: Sure, Senator. I am sorry, I was being lectured by Senator Newell and I didn't hear the question.

SENATOR SIECK: You sent out a sheet out here on our desk that says something about "new". Will you explain that?

SENATOR SCHMIT: Yes, I would be glad to. I have been doing just like the Revenue Committee. I have been groping for some kind of a formula which has some relationship to the personal property that was exempted. This formula uses the amount of rural valuation for farmland and it uses the urban commercial property as a basis for distribution of the funds under the \$70 million program. The reason I did that was that I felt there is some connection between the urban commercial property and personal property tax that was paid as there is between the rural farmland and the personal property taxes paid. It takes a \$100,000 combine to drive over that piece of farmland. It takes a certain number of automobiles to reflect the urban commercial property and was why we did it. It is just one more formula. I don't like it as well as I like the 524 proposition, but it is a situation which helps some counties. Unfortunately, as with Senator Nichol, when you have those unique situations, when you have been sending money back based upon cattle and hogs and combines and tractors, and then you turn around and try to send it back on any other basis, inequities come up which are impossible to handle, and that is what Senator DeCamp is trying to do with his additional funds. This formula, I believe, raises the amount of money to a larger majority of counties than any other formula that I was able to come up with.

SENATOR SIECK: Thank you, Senator Schmit. I think we need to look at that. But I feel for this year that we should get with 284 and then come up with some new system in the ensuing years. There is another item that

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I feel that we should also take a look at, at 284. In my particular counties we have revalued and we are at a pretty high value as far as statewide basis. Our rural properties, our cities have a tremendous value. Somebody talked here about....Vard Johnson, or Senator Johnson, talked about paying \$2,000 on a home. We have some homes in Seward that are paying over, well one home is \$3500 tax on just a home.

SPEAKER MARVEL: You have one minute.

SENATOR SIECK: That is terrific, and I don't feel that we should...we should have to balance this out. Now I do feel that there are some areas that haven't revalued as they should and I think this will bring it on. It is an incentive and I would like to get this across, the incentive means of getting our counties to get their values up to par. So I do not support bringing this bill out of committee. Thank you.

SPEAKER MARVEL: Senator Fowler.

SENATOR FOWLER: Mr. President, I do support bringing LB 390 out of this committee. I guess there has been a lot of discussion about Senator DeCamp's magic wand and the spell that he casts or whatever he does with that. I would like to indicate that Senator DeCamp points his fingers back at the urban Senators and says, you are stealing money, you are stealing money, you are reaching into our pants, you're taking all our money, or whatever. And then he stands up and says, Senator Nichol, oh by the way, for 4 or 5 million more added onto my bill, and I think we can save all the rural counties from any costs. Now it is Senator DeCamp who casually spends \$4 or \$5 million with no problem and then turns around in outraged anger, I think a certain amount of mock anger, points at us and accuses us of trying to steal money from his District. Well, I think there is a certain contradiction there. The motion to bring LB 390 out was discussed last week among several urban Senators, and I was told as others to wait and see if the Revenue Committee couldn't build a consensus and to allow the Chairman of that committee, Cal Carsten, a chance to work out a compromise, and as Chairman of the committee I think Senator Carsten rose himself above the parochial interests of his District, looked beyond the three or four counties that might be affected in his area, and looked at the whole state and tried to work with the committee to bring a compromise out on the floor to spare all of us the negotiating, the arguing, the auctioneering that appears is going to have to go on.

Now Senator Carsten tried to play a leadership role. Unfortunately, five members of his committee, in I think a rather shortsighted action, chose not to follow the Chairman's lead, and now we have a motion where the Chairman of a committee along with 25 other Senators ask to have a measure brought before the Legislature. Now you would think that the way some of the rural Senators are acting that this bill, this motion would make this bill law instantly, and that is certainly not the case. All we are suggesting is that it be brought out so that it can be discussed, so that what the Chairman of the Revenue Committee wanted to have done could be brought before the full Legislature. Now I would have preferred to have seen the eight members of the Revenue Committee negotiate this within the committee and bring out a compromise that we could act on quickly, that we could get 33 votes to do. But I think when we talk about greed, that perhaps the greed of certain members of that committee prevented that compromise from happening, and now we are going to have to argue back and forth. Senator DeCamp is going to have to threaten Omaha's tax base and try and intimidate Omaha into getting the 33 votes that he needs for his measure, because right now on its own merits that measure cannot get those 33 votes. So the only hope that Senator DeCamp has is to threaten Gerry Koch, threaten on state aid, to threaten the Omaha delegation on their sales tax. I think that is a poor way to legislate. I would rather have seen the Chairman of the Revenue Committee followed. I would have rather have seen a unified proposal brought before us, but that was prevented from happening. All we are asking in this motion is to bring another bill out, to have another option and try and work out a compromise. At some point compromise will be necessary because 33 votes are essential, and I really don't think no matter how potent Senator DeCamp's magic wand is, I do not really think that by intimidating Omaha that he is going to get the 33 votes. I think that there is going to have to be a little negotiation, a little compromise. Senator Carsten tried to provide that leadership. I think we should continue to follow his leadership in this area so that we can develop a solution that is equitable and develop it without having to threaten and intimidate and chastise each other.

SPEAKER MARVEL: Senator Vickers, and then Senator Pirsch.

SENATOR VICKERS: Mr. President and members, I rise to oppose the bringing of LB 390 to the floor. I think the

points have been fairly well made by my rural colleagues, but I would like to make one point that I don't think too many people have made here this morning. It has been discussed to some degree, the equalization or the state aid formula for the schools. And if you remember correctly, a year ago there was an increase in the amount of state aid. In order to get that increase in the amount of state aid, and in order to get some of the rural people, including myself, to be convinced that we should increase the amount of state aid, we reversed the percentages that had been going out on the equalization formula if you remember. There was also an amendment offered at that time to go strictly on a per pupil basis and it was soundly defeated. It was soundly defeated by the population centers of the State of Nebraska. It was soundly defeated by those people that represent areas that receive equalization dollars, and we had a hearing last night that deals with that exact problem. And once again, here we are those same people who said they didn't want to deal with population in that case, and the first year I was down here I had a bill to do exactly that, to go on a per pupil basis. But they don't want to deal with population in that case, but they are perfectly willing to use population in an attempt to reimburse the loss of personal properties. I believe somebody is not being too consistent. It seems to me that what we have going on right now is an issue that we have this teeter-totter, somebody has got to go up and somebody has got to go down, and it would appear from the number of signatures on this motion to pull this bill from the committee that the weight is going to be on one end and I think I have an idea though that in this instance those of us that don't have the weight are going to be the ones that are going to go down. We are going to defy the laws of gravity to some degree. I have some problems with the reimbursement of lost revenues for the property tax reimbursement to start with. I will admit to that. I am not sure that that \$70 million carrot that was hung out to get 518 passed is a good idea to continue. But for goodness sakes, if we are going to continue it, let's put it back on the original premise. I think Senator Lamb spoke to that very eloquently. The number of cattle taken off the property tax rolls has no relationship whatsoever to population. Now, obviously my district is going to lose if we start going by population. One other thing that it's been referred to some deals might have been cut in this body and I for the benefit of those of you that might not know better, I don't cut deals, and I think I have some other people in here that don't either,

and I am not about to cut a deal on this one. But I will also remind you that when my wife and I live down here in this apartment five days of the week for six months out of the year, we are paying sales tax to Lincoln, Nebraska, and I think that was a mistake the Legislature made back when they instigated the state sales tax when they allowed the cities to have a sales tax. Now we have got a bill in this Legislature also to allow Omaha to continue to have their 1 1/2 percent sales tax, and I know there is a lot of people that say, well, that's just us that pay it anyhow. I don't think that is true. People from rural Nebraska buy things from the cities and the towns in the State of Nebraska, and when I buy things here in Lincoln, Nebraska, I feel like I am helping them on their property tax readjustment already through the sales tax that the City of Lincoln has. I would suggest to you that that 1 1/2 percent sales tax that Omaha is probably going to wind up getting is going to be the same thing up there. We talk about equity and it was pretty evident to me what equity means. It is pretty evident to me what equality in taxation means. The equal tax is a tax that somebody else pays. Well, it can't be that way. I think it is time that we do become statesmen and that we do look at the real problem, and that we don't continue this auction market that we are in out here this morning. Thank you, Mr. Speaker.

SPEAKER MARVEL: Senator Pirsch.

SENATOR PIRSCH: Thank you, Mr. Speaker and members of the body. We have heard a lot of angry words, some preposterous statements this morning, and yet through this all we have heard some kinds of reasonable, logical people who are trying to reach a solution on this difficult problem. It is amazing how, as Senator Peterson said, the love of money is the root of all evil, or money is the root of all evil, and it arouses so many angry feelings and it probably properly should so because we are the representatives of those people in that district and it is because of those people in my district and in the so-called urban Senators districts, that we believe that any proposal that does not consider population is unfair. Let's remember it is people that pay those taxes, people that pay personal property taxes, real estate property taxes, even though they are inequitable. Gas taxes, let's talk about gas taxes; sales tax as well as income taxes, and I feel Douglas County pays more than their share to that pot. I have voted in the past with rural interest, you all know that. When Senator

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DeCamp came up with his proposal to value agricultural lands at their sale valuation, I voted against that with my rural constituents because I felt that was fair. We have heard talk about putting the personal property taxes back on and I want to share with you, a farmer that came into my office yesterday and said that was a mistake, we wish that was back on. And sometimes I think we all do too, but I don't think any of us ever in our dreams think that is politically possible. Senator Sieck commented on the raising valuations, that putting it all on valuations would be a good thing and would make everyone reassess their properties to the highest level as it should be, or their proper levels. That's still going to be an incentive if you consider valuation and population. I wish I had the magic words to bring people together. Sometimes personalities get in the way, pride of authorship, someone quoted this morning. I read and heard a lot about the rural-urban split before I came down here, and I was determined to do everything in my power to see that fairness was administered by all to all in the State of Nebraska, because I represent, I feel, all of the people in Nebraska. But, please, be willing to consider the other side also, and I think if you do that you have to consider people as well as property. Thank you.

SPEAKER MARVEL: Senator Kremer.

SENATOR KREMER: Mr. Chairman, I really had not intended to speak this morning, and I am going to address only one part of the problem that we have been talking about all morning long because I don't think that this morning is going to be the last we will hear of this, and it has to do with valuations that are placed on urban property and farm property, and, Senator Vard Johnson, I think that you used as an analogy your investment in a \$100,000 house. I think you said perhaps your house is not valued at \$100,000, but if it were, I believe I understood you to say that under the present taxing system you would be taxed something around \$2,500 for that \$100,000 house, and that is not fair compared to the tax that is placed upon a piece of property out in the rural areas, namely farm, that has a valuation perhaps of \$400,000. Now, your statement sounds reasonable, but look at these figures. On your \$100,000 house you could be taxed, or are being taxed \$2,500. I just now checked with a person that lives close to where I live that bought a farm and it is valued at \$400,000. His tax on that farm was \$3,137.84. Both he and Senator Johnson are college graduates. Both have

invested a lot in an education. But if this farmer would have farmed only that quarter section, he would go broke. He had to farm three times that much even to make a living. So I contend that even though rural property is taxed at a different level than urban property, I want to point out that rural property is investment sensitive and you have got to invest a lot of money and hope you can make a living out of that investment. So I wanted to point it out, because this is going to be brought up time and time again that we are not assessing rural property high enough, but the ability to pay taxes and the ability to earn enough to pay taxes will not warrant a readjustment of those taxes to the extent that there is not going to be any farmers left. I want to address only that point because it is going to come up again. So, I repeat, that this citizen that owns this quarter section of land, and by the way, he only owns fifty percent of it, the mortgage holder owns the rest of it and we dropped the tax on him when we did away with intangible property tax, now we are trying to do away and did do away with the tangible property tax, now we have simply got to be reminded we are only trying to kick back to the counties that which they lost because of the personal property tax. We are not talking about state aid, not at all. We are just returning to the counties what they lost, and believe you-me under today's conditions if monies were returned to the counties based on investment of personal property, it would be a whole lot more than \$70 million would take care of. Thank you.

SPEAKER MARVEL: Now everybody has spoken at least once, so we are going to start the second round, and the Chair recognizes Senator Lamb.

SENATOR LAMB: Mr. Speaker and members of the Legislature, it is very seldom that I speak twice on a bill. I think maybe this is the first time since I have been here, and I don't plan to make it a habit, Senator Fowler. But I feel moved to respond to some of the statements of Senator Koch and I am sorry that Senator Koch is not in the Chamber at this point but wherever you are, Senator Koch, I would like to say that there was a commitment. You mentioned that there was no commitment, no deal, between bills and I am not going to comment on that. However, I would like to make the point that when you voted for LB 518 there was a commitment, there was a commitment that the \$70 million would be distributed back to the subdivisions on the basis of personal property. You made that commitment. Now you are saying that commitment should not be honored.

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This is the point that I would like to make in that regard. I think we have all noted that Senator Johnson, Senator Vard Johnson, has the ability to turn phrases which are very descriptive. One that I heard this morning was a sense of inequity, a sense of inequity in regard to taxation. I think had Senator Johnson been in this Chamber last night he would have heard witness after witness testify to this sense of inequity in regard to taxation, and the thrust of the argument is, as Senator Kremer has just mentioned, that it is the number of dollars that the rural area contributes to the economy. It is not the percent of the property, it is the number of dollars that each person, each family contributes to support government which is the important consideration, and so as has been pointed out since the capital intensive agriculture requires so much more capital in order for this person, this farmer, this rancher to make a living, his total commitment to taxation is much greater even though the percent of his property which he has that big mortgage on is less. So the total number of dollars of support is really the argument here and I would bring that back to you again and again as those hundreds of people were bringing to the Education Committee last night. Thank you.

SPEAKER MARVEL: Senator Newell, do you wish the floor?

SENATOR NEWELL: I will let some others speak.

SPEAKER MARVEL: Senator Schmit, do you wish the floor?

SENATOR SCHMIT: I will be very brief, Mr. Chairman, and not try to answer the various questions that have been raised here this morning because it would be impossible to do so. I would just like to say this, if you bring 390 to the floor you have not really served any useful purpose. 284 is a vehicle which can be amended. If the votes are there to bring 390 to the floor, you can amend 284. You can also if you want to choose to do so place the concept of 524 in 284 or 390. I would just ask that we really take a good long look at whether or not we want to put another patch on the innertube and delay for another year or two the inevitable consequences of the action of various Legislatures of which I have been a part for the last twelve years, or if we want to address the issue and do so forthrightly and secure in the knowledge that we are going to not be able to hold everyone harmless. There may be some problems that can be resolved. Senator DeCamp has a suggestion. I don't

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entirely agree with it but I recognize the peculiar problems of Cuming County, Stanton County, Scottsbluff County, a number of the counties. I would hope that you would not bring 390 to the floor, but use 284 as a vehicle to accomplish whatever purpose this Legislature needs or sees the need to accomplish in the coming year. I urge you not to bring 390 to the floor at this time.

SPEAKER MARVEL: Before I recognize Senator Haberman, in the north balcony from Senator Rumery's District, they were there, District 109, students from Lincoln County and 13 adults, parents of the students. Miss Wanda Nelson is the teacher. The Chair recognizes Senator Haberman.

SENATOR HABERMAN: Mr. President and members of the Legislature, I passed out a letter this morning and probably you are like I am, you don't pay any attention to all the papers on your desk, but I would like to have, and call to your attention what this letter says. It was written in November....or this article in the newspaper was written November 25th by Jim Carlton. "A new emphasis on agriculture by the greater Omaha Chamber of Commerce comes partly in response to strained relationships between Omaha and other areas of the state, according to John Harling. Harling said, we want to pull the outstate communities, particularly the agribusiness community closer to the business community of Omaha." Now here is the point. Down near the bottom it says, "Several studies indicate that agriculture, agriculture either directly or indirectly contributes upwards of \$3 billion to the metropolitan area's economy." \$3 billion to Omaha's economy from the agriculture part of the state, and you say, we are trying to be greedy. Read it. It is in the news release. \$3 billion just for Omaha from the agriculture community. So when we stand up here and say, play fair, give us a break, we are serious. We are contributing our share. Also if you would like to save face, you can save face by saying to your constituents, the formula is the same as it was in 882. The formula is the same. We voted for that, so we felt it was fair to leave it at that. As far as sales value of land, we will take that up when the issue comes to the floor as we are through being led down the Primrose Path. We will take that issue when we come to it. So my point is, we are contributing \$3 billion to Omaha's economy, therefore, I ask you not to bring LB 390 out of committee. Thank you.

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SPEAKER MARVEL: Is Senator Labedz in the room?

SENATOR CLARK PRESIDING

SENATOR CLARK: Senator Labedz, did you call the question? Do I see five hands? The question before the House is, shall debate now cease? All those in favor vote aye, opposed no.

CLERK: Senator Clark voting aye.

SENATOR CLARK: Record the vote.

CLERK: 28 ayes, 0 nays to cease debate, Mr. President.

SENATOR CLARK: Debate is ceased. Senator Carsten, do you want to close?

SENATOR CARSTEN: Mr. President and members of the Legislature, I want to suggest to you that whether you bring this bill to the floor, pass it, whether you don't and you pass Senator DeCamp's bill, what guarantee do you have in any one of them that next year there will be a bill here to change it? I don't think you can guarantee anything. One other point I want to make is this. You have observed or will shortly in the new census that rural areas are losing ground, and the rural representation in this body will probably unquestionably continue to decline, and you will find yourselves at a point down the road when you are not going to be able to stand on your own and get anything you want without some help from other areas. Senator Hefner, in my opening remarks I recognized the committee system and still do, and as I said earlier, this is the first time in my eleven year career that I have ever stood on this floor and asked for a bill to come from a committee without their consent, and beyond that from my own committee, and if you don't think that doesn't take courage, I would like for you to try it some time. I recognize the seriousness and the conscientiousness of all of my committee members, but I also recognize my own. Senator Haberman, if I would have wanted the whole pie, I would have asked for all population and no valuation, if you are going to talk about pie. One other clarification I want to make in my closing, and that is this, that in my opening remarks I stated that the bill was in its original form and still is when you bring it from the committee without committee consent, and that is 50-50. I also suggested to you and I will fulfill that suggestion that I have

an amendment drafted and will submit it for an 80-20 formula. Senator Peterson, I admire you for your admission that your county would even gain, or your District would even gain. But as I said earlier, we have got to look beyond our own local area and look at the state as a whole. I want you and each and every one of you to take the sheet that I distributed this morning to you and examine your districts and relate what 80-20 will do to your district in comparison to the budgets that were adopted by the counties, cities and schools this year, and see how harmful it is. And you will find that there are 14 that will lose, but of those 14, most of them are minimal and they will know up front what they can expect next year. Senator Schmit, I have said to you personally as well as publicly, Senator Schmit, that your bill has worlds of merit and that that concept undoubtedly in my opinion is in the picture for us down the road. I also said at one point I was not sure if this was the time or if it was not the time, but we have your bill and I pledge to you that that bill is a basis for us to work from and with....

SENATOR CLARK: You have one minute left.

SENATOR CARSTEN:to make a permanent, a permanent formula for our state. Mr. President, this is of such utmost importance to me as well as the people of the state that I urge you to have a Call of the House and I request a roll call vote. And my closing sentence is this, remember that we do not only have area in the state, we do have people. Thank you for your tolerance this morning. I appreciate it very much. Thank you.

SENATOR CLARK: A Call of the House has been requested. All those in favor of a Call of the House vote aye. All those opposed vote no.

CLERK: 23 ayes, 0 nays to go under Call, Mr. President.

SENATOR CLARK: The House is under Call. All Senators will take their seats and please check in immediately. Would you all check in, please? Twelve people have not checked in. Senator Wesely, Senator Vickers, Senator Chambers, Senator Remmers, Senator Newell, Senator Koch, Senator Goodrich, Senator Haberman. We are still six Senators short. Two excused, we are four Senators short. Senator Goodrich, can you find him? Senator Newell, Senator Vickers, Senator Wesely. That is the four that are not excused.

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SPEAKER MARVEL PRESIDING

SPEAKER MARVEL: The House is under Call. All legislators take your seats. We are not going to proceed with the roll call until everybody is in their seats. Senator Carsten, there are two excused, Senator Chambers and Senator Marsh, and there are two unaccounted for. That is Senator Wesely and Senator Goodrich. Do you want to proceed with the roll call vote? Okay. Okay, there is a....Senator Wesely is now excused. Are they....Mr. Sergeant at Arms, will you try once more to find Senator Goodrich? Senator Carsten.

SENATOR CARSTEN: Can I request an answer to how come Senator Wesely is now excused? Is that permissible?

SPEAKER MARVEL: His office just called and asked for permission for him to be excused.

SENATOR CARSTEN: Thank you.

SPEAKER MARVEL: I think he is...where is it, Channel 10? Presumably he is at Channel 10. All legislators must be in their seats before we can commence the roll call. Will the Legislature please abide by your own rules and remain in your seats, please. Senator Carsten. Senator Carsten, we are ready now. Do you want to proceed with the roll call. Okay, Clerk call the roll. Go ahead.

CLERK: Mr. President, the motion before the body is that LB 390 be placed on General File pursuant to Rule 3, Section 18(b).

SPEAKER MARVEL: 25 votes.

CLERK: (Read roll call vote as found on pages 740 and 741 of the Legislative Journal.) 20 ayes, 26 nays, Mr. President on the motion.

SPEAKER MARVEL: The motion lost. Call is raised. The Clerk has some items on his desk.

CLERK: Mr. President, your Committee on Ag and Environment gives notice of public hearing for March 19. Your Committee on Judiciary gives notice of hearing for March 17. (See page 741 of the Legislative Journal.)

New A bills, 144A by Senator Maresh. (Read title for the first time to LB 144A.) LB 180A by Senator Landis. (Read title for the first time to LB 180A.) (See pages 741 and 742 of the Legislative Journal.)