

January 8, 1982

LR 201  
LB 704 - 708

that Oklahoma beat Nebraska. I take my lumps. Nebraska beat Oklahoma, but Oklahoma this year, as you know, based on their prior standards was a toothless paper tiger. Clemson Tigers on the other hand were a different story.

PRESIDENT: Thank you, Senator Chambers. Okay, who else wants to...Senator....I guess we are ready for closing. Which one of you wants to close, Senator Wagner or Senator Kilgarin? Senator Kilgarin, will you close?

SENATOR KILGARIN: All I want to say now is that Senator Fenger just corrected me that it shouldn't be myself saying I am a South High graduate but there is a lot more South High graduates in this body than I guess I admitted, and George is one of them. So we would really appreciate your vote and I know all Nebraskans appreciate your vote to commend the football team. Thanks.

PRESIDENT: Okay, the motion is the adoption of LR 201. All those in favor vote aye, opposed nay. For this one you have got to go up Big Green rather than Big Red. Record the vote.

CLERK: 36 ayes, 0 nays on adoption of the resolution, Mr. President.

PRESIDENT: Motion carries and LR 201 is adopted. Before we go on to General File, I suppose you have some other things to read in, Mr. Clerk. Before we do that, is Senator Duda down here? I think that we should take due recognition of Duda today. Tomorrow is Senator Duda's birthday. Shall we tell them how many, or would you like to let them ask you? Okay, 61. So he beats us...some of us, so we want to say, Happy Birthday to Senator Duda. There will be some cake I guess a little later. Happy returns of the day, Walt. Do you want to say something to this august body at this point?

SENATOR DUDA: Thank you, no. At this point birthdays don't come as a surprise but the cake did. But anyhow I thank you kindly.

PRESIDENT: Okay, thank you. All right, we will proceed then with some reading of matters into the record, Mr. Clerk.

CLERK: Mr. President, new bills. LB 704 offered by the Telecommunications Committee and signed by its members. (Read title). LB 705 offered by Senator Nichol. (Read title). LB 706 offered by Senator Landis. (Read title). LB 707 offered by Senator Landis. (Read title). LB 708 offered by Senator DeCamp. (Read title). (See pages 165 and 166 of the Journal).

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LB 115, 115A, 139, 139A, 212A,  
LB 450, 576, 583, 588, 589,  
LB 413, 631, 634, 670, 672,  
LB 706, 735, 851

CLERK: (Read LB 413 on Final Reading.)

SENATOR CLARK: All provisions of law according to procedure having been complied with, the question is, shall the bill pass? All those in favor vote aye, opposed vote nay.

CLERK: Senator Clark voting yes.

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

CLERK: (Record vote read. See pages 529 and 530, Legislative Journal.) 20 ayes, 27 nays, 2 present and not voting, Mr. President.

SENATOR CLARK: The bill having not received the required number of votes has failed to pass on Final Reading. We will now to to item #5, General File. Does the Clerk have anything to read in?

CLERK: Mr. President, your committee on Public Works whose Chairman is Senator Kremer to whom we referred LB 670 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File; and LB 851 advanced to General File, both signed by Senator Kremer.

Your committee on Enrollment and Review respectfully reports they have carefully examined and engrossed LB 139 and find the same correctly engrossed; 139A correctly engrossed; and 450 correct engrossed. (Signed) Senator Kilgarin.

Your committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 631 and recommend the same be placed on Select File with amendments; 589 Select File; 212A Select File with amendments; 115 Select File with amendments; 115A Select File with amendments, all signed by Senator Kilgarin.

Your committee on Constitutional Revision and Recreation whose Chairman is Senator Labeledz to whom we referred LB 576 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File; 583 General File with amendments; 588 General File with amendments; 634 General File with amendments; 672 General File with amendments; 706 General File with amendments; and 735 indefinitely postponed, all signed by Senator Labeledz as Chair.

Mr. President, your committee on Ag and Environment will have an exec session at eight forty-five on Thursday, February 4 in Room 1105, Senator Schmit's office. That is an exec session of the Ag and Environment Committee tomorrow morning at eight forty-five in Senator Schmit's office.

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LB 672, 706

sake of anybody that might not have been in the room, it is a constitutional amendment to extend the time from 15 up to 30. I move the advancement of the bill.

PRESIDENT: The motion is the advance of LB 672. All those in favor vote aye, opposed nay. Have you all voted? Record the vote.

CLERK: 25 ayes, 4 nays, Mr. President, on the motion to advance the bill.

PRESIDENT: The motion carries. LB 672 is advanced to E & R Initial. The next bill is LB 706.

CLERK: LB 706 offered by Senator Landis. (Read title.) The bill was read on January 8 of this year, referred to Constitutional Revision and Recreation, advanced to General File. Mr. President, there are committee amendments attached.

PRESIDENT: The Chair recognizes Senator Landis for purpose of handling the committee amendments first. Senator Landis.

SENATOR LANDIS: Thank you, Mr. Speaker. Senator Labedz asked me to take the committee amendments, to explain them to you. She couldn't be here. They are two. One of them changes the ballot language and the other one just changes to put into proper form what the intent of 706 is. The first amendment, you will find it on the small white piece of paper before the green copy in your bill book, indicates that you add the language "authorize cities and villages too." Well, if you open up the green copy and you find the right place, it says, that the Legislature may authorize cities and villages by general law in part or whole to in essence freeze property taxes in enterprise zones. The whole purpose there is to indicate that it is not the Legislature that will do the freezing of the property taxes but local cities and villages pursuant to the state law that we will be passing in the event 706 is passed by the voters. The second section changes the ballot language, deletes the reference to tax abatement and instead states "permit property valuations to remain constant", and the purpose there is to more accurately describe what would happen in a business enterprise zone, which would be the freezing of property tax values for up to five years for developments in blighted and substandard areas, and by so doing this amendment more accurately describes the phenomenon that the voters will be approving or disapproving

of when they vote on this constitutional amendment. I move the adoption of the committee amendments.

PRESIDENT: The Chair recognizes Senator DeCamp.

SENATOR DeCAMP: Mr. President and members of the Legislature, I have a question of either Senator Newell or Senator Beutler, Senator Landis, some of the experts in this area on these bills. Everybody in the discussions last year when Senator Schmit and I dealt with tax exempt bonds for agriculture and previous years in housing and everything else, and I have been one of those fighting to get them, everybody always tells what is included under the bonds. My question comes from a completely different direction. Can anybody tell me in this entire room after we pass these three things, can anybody tell me what things now are left out of tax exempt bonds? Have we left anything in the whole world out in the entire state now of tax exempt bonds? And I use an example to show you why I think, or completely changing the property tax system, I am going to use a simple example to ask my question now. Let's assume after this bill passes, your amendment, your constitutional amendment, because I think you are doing more on the property tax system than maybe meets the eye, you come into the Legislature and Senator Schmit, Senator Wagner and Senator DeCamp, we get up and we say, the farm economy is in the wringer. We will say it. And we say, not only that, property taxes on farmland are killing people. And that is true. Howard Lamb will tell you. As I read your amendment now under that, for example, the Legislature could declare all agricultural land, substandard or blighted property because of economic conditions, and we could completely change the property tax system and say, agricultural land now pays a third or a fourth, or take the converse, forget that, say, houses, say anything, you are just changing the whole property tax system that we had battles in the courts over, that here in the Legislature we fight like maniacs to hold those various words in the Constitution. You are undoing it completely all on the premise that we are going to get one more area in tax exempt bonds. Is that a fair statement, or is that accurate, you are offering the possibility for that?

SENATOR LANDIS: Mr. Speaker, in answer to Senator DeCamp's question, the answer is no, that is not what we are doing. Number one, LB 706 has nothing to do with bonds nor does it ever state the words, nor is there authorization in there for tax exempt bond status or anything of the like. So with respect to the connection with bonds....

SENATOR DeCAMP: Agreed, it deals with property taxes...

SENATOR LANDIS: Right.

SENATOR DeCAMP: ....but in conjunction with all the bonds and everything else....

SENATOR LANDIS: Secondly, with the question of just as far as the property tax is concerned, no, the Legislature could not do the scenario envisioned by declaring all lands blighted and substandard and therefore entitled to some kind of freezing of the property tax, the reason being the committee amendment that we just adopted indicated that cities and villages will carry out the purposes of 706 consistent with the authorization given by the Legislature. The Legislature does not give itself the authority to exempt property but gives cities and villages the power to exempt lands according to the authorization we give them, and by so doing it would be impossible to carry out the scenario you envision of agricultural lands being frozen throughout the state at their property value levels.

SENATOR DeCAMP: Mr. President, I use an extreme example but the point is I think the amendment takes a completely different direction in our whole property tax scheme and I do believe the scenario I outlined, while maybe not being probable, is entirely possible because you could come to the Legislature and let's not say all farmland, let's say certain houses in a particular area or town or whatever. I just think it opens up Pandora's Box on undoing the entire property tax system that somehow we think is inviolate. I really think it goes far beyond anything we have envisioned in property taxes.

PRESIDENT: Before I call upon the next speaker, the Chair would like to introduce some visitors from Senator Schmit's District, 10 students from District 74, Saunders County at Weston, Nebraska. They are up here in the north balcony with their teacher, Helen Sedlacek. Would they acknowledge their presence in the Legislature. Welcome to your Unicameral. The Chair recognizes Senator Newell. Senator Newell, are you...does anybody know where Senator Newell is? Here he is. Okay.

SENATOR NEWELL: Mr. President and members of the Legislature, I rise to support the Landis amendment and to assure Senator DeCamp that I think his concerns are not only extreme but highly unlikely. Senator Landis' proposal is aimed at an area that would be designated

blighted and substandard, and that definition would be or could be defined more clearly by this Legislature. And Senator DeCamp's concerns are just highly unlikely. I want to explain a little bit about some of the conditions that exist in areas of town that these proposals are aimed at, and those conditions are...and I think the present language in the law, in the community redevelopment law, kind of specifies it, but the conditions are areas of town that have substantial vacant lots. The land values are substantially below comparable market values in other parts of the community...where we had a bill earlier this year to deal with the LRA, the Land Reutilization Authority which in Omaha has the authority of trying to...has the responsibility of trying to get land that nobody basically wants, that people have abandoned. It is a highly unusual situation but it is a fact in our large urban areas, people have just walked away from land and land sometimes with dwellings on them, and they have walked away from this land because it is not marketable, it is not feasible to operate, it is not feasible to fix up, etcetera, and it is for those areas that we are trying to provide some mechanisms to redevelop. I want to remind people that what is happening nationally is that we are seeing aid to cities, we are seeing cutbacks in programs that used to try to fund and assist cities in redevelopment efforts in these areas. We are seeing that cut back. The philosophy that we face today is if private enterprise does not do it, it probably isn't going to get done. That is why we need these proposals. That is why we need these mechanisms. If private enterprise does not do it, it won't get done. And if it doesn't get done, basically we are saying to large segments of our population, the very poor, those who need work and jobs, we are saying to them that there is no chance. Now, frankly, we have in our society a free enterprise system and that free enterprise system that Senator Beutler is most concerned about is the free enterprise system that basically distributes the goods and services, the wealth of this great nation based on employment, on work, and those kinds of factors. It does not provide great financial assistance...great financial subsistence, only subsistence level to the very poor in our society. And what these proposals do is gives them at least an opportunity, an opportunity for hope, for faith, for a chance to become a productive member of society. If you deny them that, if they are denied that, and remember the federal government is not doing much in this regard anymore, it is getting out of this area, and so private enterprise must get into it, and if you deny them that

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opportunity, I think that some of the predictions that Senator Chambers has made could be more real than I would care to entertain. So I think that Senator DeCamp's concerns are probably aimed...are probably not, frankly, are not very justified. And I think that these proposals are the only way in which we are going to have an opportunity, and then only an opportunity to try to provide at least some semblance of hope for vast numbers of our citizens.

SPEAKER MARVEL PRESIDING

SPEAKER MARVEL: You have one minute. Senator Schmit, do you wish to be recognized?

SENATOR SCHMIT: Mr. President and members of the Legislature, Senator Newell, would you yield to a question, please. Senator Newell, how does an area become blighted?

SENATOR NEWELL: Senator, I think there is a lot of economic conditions that go into that. I don't know how much time you want me to spend....

SENATOR SCHMIT: Not very much. Not very much.

SENATOR NEWELL: I didn't think so. The economic conditions are that for reasons...for a number of reasons people basically determine to go elsewhere and leave and there is not a demand for the housing that remains, there is the distress sales. The people do not have much money to improve and keep up their properties and therefore that basic condition signals to the financial community that there isn't much hope and that just further continues to depress the neighborhood.

SENATOR SCHMIT: Okay, thank you. I wonder sometimes when we propose measures such as these that we have just discussed this morning, we speak in reference to blighted areas, what has been done to remove the cause of the blight? If you come in and rebuild an area and have not done anything positive in regard to the people in that area, you are not going to help it any. If the area is not a safe place in which to live, if it is not a safe place in which to have a business, if there is no opportunity for the people to work in the area, they are not going to move into the area even though you do give some kind of a tax advantage for the construction of an edifice. I think that many times we are coming in here, again, we are trying to take over a job which the federal government has given up on, Senator Newell. I think the

federal government has said, it didn't work, we tried, we went in and we used the brick and mortar approach but we didn't remove the basic problem. The basic problem is still there. You have the crime, you have the unemployed, you have the lack of opportunity and you are not going to solve that by just putting a structure out there. People will go where there is opportunity and they will leave the places that they don't want to live. I think sometimes we try by various measures to relocate people through this type of a program and it is not going to work. It isn't going to work because there is no incentive for the people to stay there anyway. I think that what will probably happen will be, as has been pointed out here several times, someone will come in and use the tax abatement method to put up some kind of a structure but the general population, the taxpaying portion of the population then will bear an even greater burden and you may very well accentuate the problem which you are trying to solve. I go back to the old rule we had, the ten-acre rule, which most of you supported vigorously, which I said would accentuate the urban sprawl rather than slow it down. You fly around any of our cities today and you will find that to be true. All you have done is to increase the gobbling up of the land around the perimeters of the city. I think that when you adopt this kind of a proposal, as laudible as the goals are, the opportunity for a few people to have a little bit of benefit is far outweighed by the multitude of the persons who must pick up the slack for the cost of government. Hopefully, there is going to be some incentive, but if the market system works, price of the property drops to a level where private enterprise can come in....

SPEAKER MARVEL: You have one minute.

SENATOR SCHMIT: ....purchase the property, restore it, and put it back on the tax rolls. If you have a tax abatement procedure, you are trying to create an artificial value which I do not believe will ever be there and which eventually is not going to be resolved anyway because the basic problem for the cause of the area to become blighted has not been resolved. I think you can travel through any city and find this and as long as the issue is one where the people have not got the incentive to remain there and make it a part of their lives, to make it a part of their work, the mere abatement of the taxes is not going to be the incentive which will turn the area around.



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SPEAKER MARVEL: Senator Newell.

SENATOR NEWELL: Mr. President and members of the body, I want to briefly speak to Senator Schmit's points and I will be brief. First of all, I want to say that the biggest problem that we have in many of these communities and many of these areas is the lack of jobs. When employers come, they look at where they can be...place their business where it will appreciate, the property will appreciate, it will be close to a good source of labor, it will be economically feasible to operate that plant. Frankly, the way we have set our laws today, we have bonds and proposals that basically say you can go anywhere you want to. There is no incentive for an employer to take the chance or the risk of going into a neighborhood that is distressed. And Senator Schmit's points are absolutely not well considered. Frankly, the problem is jobs. We need some incentive to bring people to the area where there is unemployment as opposed to saying, well, the market forces will take care of things. You are going to basically create an opportunity here to bring in the jobs, not just structures as Senator Schmit talks about, but jobs. Those are what are essential to the community. The opportunity to get to work is also very important. So I think Senator Schmit's suggestion here at the same time that he has supported other proposals that would go to anybody in any location, what we are trying to do here is create additional incentives to bring in jobs and employers and opportunities where the need most greatly exists.

SPEAKER MARVEL: The Chair recognizes Senator Landis to close.

SENATOR LANDIS: Thank you, and I am closing on the committee amendments, am I not, Mr. Speaker?

SPEAKER MARVEL: Yes.

SENATOR LANDIS: Thank you. The committee amendments again do two things. They clarify the ballot language to make more clear what it is an enterprise zone would do. Secondly, it makes it clear that the Legislature will, in the event this constitutional amendment is passed by the voters, will create language that authorizes cities and villages according to the standards we lay down to hold property taxes at a level for a period of time to encourage development in an enterprise zone, which, of course, would be inside a blighted and a substandard area.

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I want to respond only briefly to the argument that Senator Schmit makes and that is that there is a reason why those areas are blighted and substandard and until those reasons go away development probably won't be forthcoming. That belies what has occurred over time in lots of areas and in lots of neighborhoods that in other states have found effective redevelopment tools. There are lives and deaths of neighborhoods, there is a cycle, they do become blighted and yet not every blighted neighborhood remains that way. They can revive. They can be resuscitated by private enterprise and by personal commitment, and those who have traveled into other cities and who are familiar with the urban growth of other cities know that that is true. You know that you can take an area that is full of warehouses, like the old market area in Omaha and turn it into a bright and attractive commercial area. You know that areas tangential to an innercity can be revived, and perhaps you have seen those stories on 60 Minutes and other news documentaries that indicate that neighborhoods can come back, they can rally and that by personal commitment and by effective governmental incentive can be returned to a healthy state and an attractive state. There is no reason to believe that a blighted or substandard neighborhood has to remain that way, but, in fact, through our own application of urban policy and incentive can be revived, and that is what 706 is all about. I hope that you will pass the committee amendments and that we can talk about the concept of the bill in a little greater particularity.

SPEAKER MARVEL: The question is the adoption of the committee amendments. All those in favor of that motion vote aye, opposed vote no. Have you all voted? Have you all voted? Record.

CLERK: 25 ayes, 2 nays on adoption of the committee amendments, Mr. President.

SPEAKER MARVEL: The motion is carried. The committee amendments are adopted. First of all, I am going to introduce some people in the north balcony and then come back to you, Senator Landis. From Senator Schmit's District 45 Eighth Graders from St. Mary's School, David City, Nebraska, Mr. Denson, the Principal, and Father Hrdlicka, one sponsor, and there are other sponsors. May we welcome these people to the Unicameral. Senator Landis, do you wish to explain the bill?

SENATOR LANDIS: Yes, Mr. Speaker, I just want to make a

brief comment. There has been a lot of discussion on peripheral issues up until this time and so the body has a good familiarity with what the intention is in this series of bills. Enterprise zones are a new concept and I suppose they owe a greater debt to our governmental planner named Stuart Butler than anybody else, and because they represent manipulating and encouraging private enterprise to help us revive blighted neighborhoods, the Reagan Administration has fastened onto this concept as the cornerstone of their urban policy. In fact, it is the only element of their urban policy and I have passed out to you a couple of articles, this one to indicate that President Reagan is serious, that this is consistent with his suggestions, that White House and Congressional action is forthcoming in this area. The Congressional action will be to the tune of naming about 25 enterprise zones a year throughout the country for about three years. In these areas which would be blighted and substandard areas, and for which local states and local governments have requested this designation, federal regulations and federal taxes will be held in abeyance. In other words, things like the minimum wage law, some of the federal taxes, perhaps Social Security taxes, regulations and other governmental burdens will be held in abeyance to create according to these theorists a genuine free market atmosphere. These federal abatements or abeyances will be granted to those areas that can show a state response along the same lines. In other words, a locality that wants one of these designations, that wants to try for an enterprise zone, has to be able to tell the federal government what they are prepared to do to match the federal effort. Well, in this state taxes are essentially personal property or rather person....let me get this right, they are real estate property taxes. I sometimes make an error when I use those terms. In other words, local government runs on the back of property taxes and for a local government to show the federal government their good faith for one of these zones they have to be able to show some meat, show some bucks, show some commitment and that is what 706 is about. It allows them to freeze the property taxes in one of these areas, a designated zone for up to five years, consistent with the conditions that we will lay down for them next year in the event the voters approve LB 706. In other words, if the voters will approve 706 this year, we will write an enterprise zone law next year outlining the format, the conditions under which the zones can be given, the amount of relief that can be given and then will turn that authority over to local governments. Local governments

will apply them, consist them with the state law as they see fit and hopefully be in a position to encourage a matching relationship with the federal government in the designation of an enterprise zone. You also have on your desks this article which comes from the State Legislatures Magazine, the National Council of State Legislatures publication. This details again the federal idea. It details the fact that other states have acted even prior to federal action because they support the concept, among them Florida and Connecticut, and they detail the NCSL policy on enterprise zones on this page indicating that model laws will be available to us in the event LB 706 passes here and is approved by the voters in November. The concept again, designating a blighted substandard area an enterprise zone, freezing the property taxes at those low levels in those blighted areas so that the developments that occur on those lands and engender an increase in value are not taxed for that increase of value until five years have elapsed. At that point they come under the tax rolls at a hundred percent of value. By so doing, you have promoted the building and the redevelopment of those blighted areas. I have to admit that this is done inconstant with other levels of government, that it will take a level of commitment from local governments. This is our evidence of good faith and it is to be matched we expect by federal commitments from the Reagan Administration. I would move the advancement of LB 706.

SPEAKER MARVEL: The Chair recognizes Senator Beutler.

CLERK: Mr. President, Senator Beutler would move to amend the bill. (Read the Beutler amendment as found on page 751 of the Legislative Journal.)

SENATOR BEUTLER: Mr. Speaker and members of the Legislature, I won't take long with this. This is basically the same amendment that I asked you to adopt with regard to LB 634 and which more of you wanted to adopt than did not want to adopt, but there were too many people missing to adopt it. Basically, Senator Landis' bill would apply to blighted or substandard property. The amendment would remove the substandard part so that the financing scheme that is envisioned by the bill would only apply to blighted property. Again, it is an attempt to narrow the scope of the property because I think that most of these financing schemes whether they are proposed by liberals or conservatives have been ineffectual and that we all would have been better off a long time ago if we had just let the private enterprise system work.

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So I would like to ask that you look favorably upon this amendment which again would limit it to blighted property as opposed to blighted or substandard. Thank you.

SPEAKER MARVEL: Senator DeCamp.

SENATOR DeCAMP: Mr. President, I am going to support the amendment but I would like, so I completely understand this bill, to ask Senator Landis a question. Dave, I am going to use an example and then you tell me if it right or wrong and I will give my arguments later.

SENATOR LANDIS: Okay.

SENATOR DeCAMP: As I understand it, under this proposal, and let's assume we pass the proposal on the ballot, the people vote for it and then we put the standards in and so on and so forth, the following situation would be a representation of how it would function. We take let's say two square blocks of downtown Lincoln, let's say just for hypothetical where the Cornhusker is going to be blown down, okay. And we say, and we look at the record books and the record books right now say, okay, the value of this land is let's say \$1 million. The City Council of Lincoln would then be able to say, okay, for the next five years the value of this land no matter what is built on it is going to be only a million dollars. You could then put up let's say a forty, fifty million dollar convention center, for example, and even though that was a forty or fifty million dollar convention center it would pay property taxes only on the basis of what was there before of a million dollars. Is that how it would work?

SENATOR LANDIS: That is how it works, John.

SENATOR DeCAMP: That's what I thought. Okay, Mr. President, the goal is noble, I don't contest that and that is why I have mixed feelings on the bill. Crown Center in Kansas City is probably one of the better examples of utilization of this concept. Now whether the tax things they were given there, the special permits or benefits was the incentive for building or whether it was just a good investment, I would suspect if you checked, it was a good investment, and that was kind of a bonus. But here are my concerns about the concept. The property tax system which we have guarded so strongly with our Constitution will be dramatically changed. We will turn over to cities, villages, whoever, the choice of management

really heavily of the property tax system in terms of a big area, they will have standards as to whether they... what supposedly they have to declare blighted or not blighted, but that is really turning the property tax system over to them. The second thing...the second thing, and this is more fundamental, if the property tax is the handicap to construction, if that is why we aren't going to build a convention center, if that is why we have a blighted area, then isn't this precisely the opposite of what we should be addressing? Shouldn't we be addressing the property tax system? If that is where the problem is, if that is where the burden is, and I happen to believe it is, then you address everybody's problem on property tax and go at it that way. We pay in Omaha, they pay, whoever owns the property there pays about 2.6 percent now, the latest figures I had, of actual value on property. Now I assure you that is in something called the red light area. That doesn't sound right either. They have red light, green light and yellow light areas identified in property tax. Green light, and I don't remember the exact figures but I am pretty close on this, green light is like zero to 1 percent, will not cause damage, will not retard things, can be handled. From about 1 to I think it is 1...from 1 to 2 percent is called yellow light. You can start retarding development. You can start inhibiting. You can start causing problems. You can actually run people out of home. It's a warning, yellow light. When you get over 2 percent that people are having to pay per year on property taxes, they call that the red light area. You are actually retarding things. You are destroying property, you are making it more than the property, homes and things can reasonably carry. In this state we have been, in Lincoln and Omaha, we have been in the red light zone on property taxes for some time. Now what you want to do with this legislation is create a solution so let's say InterNorth or some developer of a Cornhusker, whoever, a Murdock, or whoever, they can solve a problem and they can build something and, quite frankly, get the benefits but we aren't addressing the whole system, so you take the pressure off maybe to address the whole property tax system. Those are my reservations. The goals are noble, they are well intentioned, but are you doing more damage than good in the long run by taking the pressures off that would force an addressing of the real problem which is the property tax system being extremely heavy and extremely burdensome in the State of Nebraska and I think you might be, and those are the areas of my reservations coupled with, as I suggested to you, the fact that we are undoing the property tax system. We have always handled

it through the Constitution in state law, now we are turning it over to cities and villages in terms of who is going to pay, not pay, and so on. I am a little concerned about whether it is all the magic that it is promised to be.

SPEAKER MARVEL: Senator Kahle. We are speaking to the Beutler amendment.

SENATOR KAHLE: Mr. Speaker and members, I don't know whether the Beutler amendment improves it any or not, but I would like to follow up with what Senator DeCamp was talking about. I think this whole system flies in the face of a local taxing authority. We just had a bill before the Revenue Committee yesterday complaining because counties were not using the authority that they had or using it properly to get valuation. And I don't believe that the constitutional amendment is a correct way either. I think that puts it in stone and you know what it is like to get something out of the Constitution once it is in there. I think we may want to change our mind over the years in how we handle this even if it does look like a good idea right now. So I strongly oppose putting it in the Constitution. I think it should be handled by statutes. And the pressures would be enormous to declare blighted areas if this thing ever took off. It would be a terrific advantage to have a blighted area, and I think we have a good example, and I am not complaining about what the City of Lincoln is doing with the Cornhusker improvement, but let's say you own the Hilton Hotel or you own the Clayton House, if tax forgiveness was given for five years on this new development, which is the way I read the bill, those businesses would be at a terrific disadvantage and I just don't believe that is right. I think the taxing authority should be kept at the county level where you can appeal your assessment if you don't like it and where they set the tax. So I strongly oppose this whole situation. Thank you.

SPEAKER MARVEL: Senator Schmit.

SENATOR SCHMIT: Mr. President and members of the Legislature, I rise in support of the Beutler amendment. I recognize that again he is trying to limit the scope of the bill. I think that is the least we could do. I would just like to point out again as I have before, you could call an area like Bellwood, for example, a small community of 400 people, the east side of the main street totally deserted. West side we have got a couple of pool

halls and a grocery store and an automatic toilet facility. That is the extent of our facilities and I don't know what is going to happen on the...to the east side of the street if we declare the west side a blighted area and someone comes in and decides to develop it and we increase the tax on the existing business. I think that we can take another look at the agricultural area, for example. It is kind of interesting as has been pointed out, we want to encourage development but whether we do it in this manner or in any other manner, the result is always going to be an increase in taxation. A farmer who buys a piece of land and develops it, improves it, levels the land, installs an irrigation system and increases the valuation by a \$100,000 or \$150,000 will find himself the very next year taxed upon that valuation. That is the way the system works. We have not objected to that. But can you imagine, for example, for many years Boone County was considered to be one of the most depressed counties in the nation back in the thirties. Real estate men will tell you today that that stigma still remains with Boone County. I don't know if Senator DeCamp is aware of that or not, even though he represents the area as does some other people who have worked hard on that area. But the point is it is a depressed area. It is an area that has gone through serious economic conditions. Are we to assume then that if we follow this philosophy, there ought to be some measure of encouragement for persons who would move to Boone County and establish a business, build a home, improve a farm or a ranch? I don't think you can perhaps do that. I think that a few years ago, for example, in the small community of Bellwood you could buy a lot for \$100 or less. Today those lots have become valuable property. Why? Because people want to leave the more congested areas. I guess that is kind of a joke to some people when you call Columbus and Schuyler a congested area, but they want to live in a small community. I don't think you are really going to be able to shift the population or shift the businesses by this type of property tax abatement. As Senator Kahle has pointed out, we are striking at the local taxing authority but we are striking with a hatchet and we are ~~nickin~~ it a little bit here and there and not really doing very much for the basic overall structure. But eventually... eventually I would assume that given the innovation of the human mind, we will find tremendous expansion of this idea, until the local taxing authority will come back to this Legislature and I have been a part of some of those other exemptions in the past...I will take my responsibility, it will come back and say, the Legislature took these



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properties off the tax roll, now it is your responsibility to return to the local subdivision funds for those which we have lost. When that time comes, then I think Senator Carsten will scream as will the rest of the members of the Revenue Committee. Senator Warner, who has watched the process for many years will say, I told you so, and the entire issue will have come full circle. I think the point that Senator DeCamp has raised is a more valid one. The property tax system is destructive and is one of the factors why we do not improve property. We ought to change the property tax system.

SPEAKER MARVEL: You have 45 seconds.

SENATOR SCHMIT: I happen to believe that we should not rely so heavily upon the property tax system for the support of government. I believe the sales and income taxes are infinitely preferable, but I believe that unless we address the issue from the standpoint of whether or not we should support government from property taxes, we are not going to do anything substantive. It is unfortunate that many people in this body do not understand these bills, but even more unfortunate would be the fact that when the bills...the constitutional amendments are placed upon the ballot, the general public will have very little knowledge as to the constitution of those amendments.

SPEAKER MARVEL: Before we proceed, it is my privilege to introduce to you 60 students from Northeast Technical Community College at Norfolk, Nebraska, Roger Shafer, teacher, and they are in the south balcony. Will you indicate where you are so we can say good morning. There you go. They are in Senator Richard Peterson's District. Underneath the south balcony it is my privilege to introduce Mrs. Duda, wife of Walter Duda, and their son, Claire, and his wife, Gayle. Where are you located? You should be underneath the south balcony. Right. Okay. Now the Chair recognizes Senator Landis.

SENATOR LANDIS: Mr. Speaker and members of the Legislature, I am aghast, Senator Schmit and Senator Beutler agree that Senator Beutler's language is wise, and I have to be chastened by the ying and yang of the Legislature coming together in that fashion and accept that amendment I think is the only strategic thing to do when half of the Mt. Rushmore of this legislative body agrees with the amendment. I cry "uncle", I yield. I will accept the Beutler amendment. It will narrow the focus of LB 706

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and if we could move to a vote on that amendment, I will be happy to support it with my own green light and perhaps we can move LB 706 yet this morning.

SPEAKER MARVEL: Senator Vickers, do you wish to be recognized on the Beutler amendment?

SENATOR VICKERS: No, I want to talk to the bill, Mr. President.

SPEAKER MARVEL: Senator Beutler, do you wish to close? The motion is to adopt the Beutler amendment. All those in favor of that motion vote aye, opposed vote no. Have you all voted?

CLERK: 28 ayes, 4 nays, Mr. President, on the motion to adopt the Beutler amendment.

SPEAKER MARVEL: The amendment is adopted. We now go to the bill. Senator Landis.

SENATOR LANDIS: I have spoken on the bill, Mr. Speaker. Unless there is a closing, I don't envision speaking again.

SPEAKER MARVEL: Is Senator Haberman here? Okay, while we are waiting for him, the Chair recognizes Senator Vickers.

SENATOR VICKERS: Mr. President and members, I just hope that there are some people listening here this morning. I think Senator Schmit and Senator DeCamp and others have made some very good points as far as this piece of legislation is concerned. But I think I need to point out a little stronger to you that what we are doing is granting an exemption to certain people on their property taxes that other people that might be doing the very same thing as far as improving their facilities, whether it be a business or a home, or whatever, are going to have to pay for. And I suggest to you that anybody that makes an addition to their business or adds an addition to their home are doing it because they think that they are bringing up the standard of their business or their home. Whether or not it happens to be in a specific area that has been designated blighted, it still is an improvement. We built a new house here a few years ago and we built it because we considered the house that we were in as being somewhat substandard, and the new house that we built was on the....the assessor was out before we even got moved in. We didn't even have it completed yet when they were out to look at it. Now we are saying if you do that

in a certain area that somebody has designated as a blighted area, we are just going to turn our back for five years and you can go ahead and pay taxes on the assessed value as it was before. Senator Schmit pointed out the way it would work in Bellwood, Nebraska, and I think that same philosophy would apply in many, many small towns or in many large communities in this state. Throwing dollars at a problem does not necessarily make it go away. What we need to do is encourage more jobs in these areas so that these people can get back on the tax rolls because they are working and productive members of society. It doesn't make any difference whether that job is located right in the area where they happen to live or whether it is located on the edge of the city or five miles away, they need work. That is the basic problem. In many rural areas of the state it is simply because the people are not there. The areas around where I come from were definitely going backwards a few years ago. More and more the young people were leaving the areas. The farms were being rundown, but because of irrigation development that has changed around and it wasn't because of the government involvement in providing dollars or tax exemptions. It was simply a method to give more people more work, and I suggest that that is the solution to some of these problems, not throwing dollars at it through tax exempt bonds or exclusions of certain other taxes. Property tax is the most hated there is anyhow and causing exemptions for certain things is certainly going to make it go up for the rest of the people having to pay the tax. I urge this body's rejection of LB 706.

SPEAKER MARVEL: The Chair recognizes Senator Haberman. Do you want to speak? Do you want to speak....the question has been called for. Do I see five hands? I do. All those in favor of ceasing debate vote aye, opposed vote no.

CLERK: 25 ayes,, 0 nays to cease debate, Mr. President.

SPEAKER MARVEL: Debate has ceased. The Chair recognizes Senator Landis to close.

SENATOR LANDIS: I will and I will do it very briefly. Could I ask, since I can see a lot of the Senators are off the floor, if I have a Call of the House at this point and then we'll be able to vote with the appropriate number of people here at the time.

SPEAKER MARVEL: Okay, shall the House go under Call?

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All those in favor of that motion vote aye, opposed vote no. Record.

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

SPEAKER MARVEL: The House is under Call. All legislators please return to your seats, record your presence. Unauthorized personnel please leave the floor. Senator Landis, do you wish to start to close?

SENATOR LANDIS: Fine, why don't I and then....

SPEAKER MARVEL: Okay.

SENATOR LANDIS: ....we can move expeditiously here. In answer to the question by Senator Kahle that it should be done by state law, in fact, it will be, but we cannot move to the enterprise zone concept unless we amend the Constitution. It simply has to be done. We have to have the people give us the authority to make this kind of a law. Ultimately there will be a state law in the event this is passed on by the voters, but it can be accomplished in no other way than by a constitutional amendment. Secondly, we have narrowed the concept of the bill now with the Beutler amendment to only blighted areas, and we can keep the lid on this concept when we envision and turn into state law this constitutional amendment. Lastly, the Reagan Administration supports this concept because it promotes the idea of free enterprise. We have to look towards the future that will have no model cities' money, no community block grant money, and monies that have underwritten at the federal level an urban policy of growth and redevelopment as having dried up will have no tool to promote urban rejuvenation of blighted areas unless this state acts, and that is what LB 706 is. It is the chance to act in the face of declining federal commitment to urban enterprise and that is why this is a timely act and needs to be passed now. With that I will close and move to a vote on LB 706.

SPEAKER MARVEL: The motion is to advance the bill as explained by Senator Landis. All those in favor of that advancement vote aye, opposed vote no. Have you all voted? We are voting on the advancement of the bill. Five excused. Do you want a record vote, Senator Landis?

SENATOR LANDIS: Yes, and I would like to change from aye to nay for purposes of reconsideration.

SPEAKER MARVEL: Record.

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LR 198  
LB 259, 375, 378, 706, 717,  
766, 769, 773, 842, 947

CLERK: (Read the record vote as found on page 752 of the Legislative Journal.) 21 ayes, 22 nays, Mr. President.

SPEAKER MARVEL: The motion failed. The Clerk has some things to read into the record.

CLERK: Mr. President, Senator Cullan would like to print amendments to LB 375 in the Legislative Journal and 378. (See pages 752 and 753 of the Journal.)

Mr. President, Senator Hoagland asks unanimous consent to add his name to LB 259 as co-introducer.

SPEAKER MARVEL: No objection, so ordered.

CLERK: Mr. President, I have an announcement from the Speaker regarding the Special Order scheduling and also priority designations by Senator Chambers and Chronister.

Your Committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 717 and recommend that same be placed on Select File with E & R amendments attached. (See page 754 of the Journal.)

Your Committee on Constitutional Revision and Recreation whose Chairman is Senator Labedz reports LB 766 advanced to General File with committee amendments; LB 947 General File with committee amendments; 769 indefinitely postponed; 773 indefinitely postponed; 842 indefinitely postponed and LR 198 indefinitely postponed. All those signed by Senator Labedz as Chair. (See pages 754 and 755 of the Legislative Journal.)

SPEAKER MARVEL: Senator VonMinden, your light is on, for what purpose do you rise?

SENATOR VON MINDEN: For information, sir. Mr. Speaker, fellow legislators, the past few weeks different Senators have brought in treats for us such as sugar and popcorn and apples, and Senator Peterson said he would bring in some honey. I also brought a treat for you this morning. At 11:30 the Abu Bekr Shrine Chanters from my District will be performing for you. They are 45 strong and I can vouch and tell you they are 45 male voices that is something you have never before. So stick around at 11:30 and appreciate the treat I have for you. Thank you.