

Transcript Prepared by Clerk of the Legislature Transcribers Office
Revenue Committee March 4, 2025

JACOBSON: Welcome to the Revenue Committee. My name is Mike Jacobson from District 42. I represent the 42nd district. I serve as Vice Chairman of the Revenue Committee, and Chair von Gillern will be here later, but he had a conflict out of the gate. The committee will take up the bills in the order posted. This public hearing is your opportunity to be part of the legislative process and to express your position on the proposed legislation before us. If you are planning to testify today, please fill out one of the green testifier sheets that are on the back table of the room. Be sure to print clearly and fill it out completely. When it is your time to come forward to testify, give the testifier sheet to the page or to the committee clerk. I would also ask that if you're planning on testifying, get near the front and be prepared to come up and give your testimony. If you do not wish to testify, but would like to indicate your position on a bill, there are also yellow sign-in sheets on the back of the table for-- back of the room on the table for each bill. These sheets will be included as the-- as an exhibit in the official hearing record. When you come up to testify, please speak clearly into the microphone. Tell us your name and spell your first and last name to ensure we get the accurate record. We will begin each hearing, each, each bill hearing today with the introducer's opening statement, followed by proponents of the bill, then opponents, and finally by anyone speaking in the neutral capacity. We will finish with a closing statement by the introducer if they wish to give one. You will be u-- we will be using a three minute light system for all testifiers. When you begin your testimony, the light on the table will be green. When the yellow light comes on, you will have one minute remaining. The red light indicates you need to wrap up your final thoughts and stop. Questions from the committee may follow. Also, committee members may come and go during the hearing. This has nothing to do with the importance of the bills being heard. It is just part of the process as senators may have bills in other-- to introduce in other committees. A few final items to facilitate today's hearing. If you have, if you have handouts or copies of your testimony, please bring up at least 12 copies and give them to the page. Please silence or turn off your cell phones. Verbal outbursts or applause are not permitted in the hearing room. Such behavior may be cause for you to be asked to leave the, the hearing. Finally, committee procedure for all committees state that written position comments on the bill to be included in the record must be submitted by 8 a.m. the day of the hearing. The only acceptable method of submission is via the Legislature's website at nebraskalegislature.gov. Written position statements will be included in the official hearing record, but only those testifying in person

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before the committee will be included in the committee statement. I will now have the committee members with us today to introduce themselves. Starting at my-- on my left.

SORRENTINO: Tony Sorrentino, Legislative District 39, Waterloo and Elkhorn.

KAUTH: Kathleen Kauth, L.D. 31, Millard area.

BOSTAR: Eliot, Bostar, District 29.

MURMAN: Dave Murman, District 38, eight counties along the southern border of the state.

DUNGAN: George Dungan L.D. 26, northeast Lincoln.

IBACH: Teresa Ibach, District 44, eight counties in southwest Nebraska.

JACOBSON: Also assisting the committee today is to my immediate left counsel Sovida Tran, and to my far left, our--next to him is our legal counsel, Charles Hamilton, and to my far left is our committee, committee clerk, Linda Schmidt. Our pages for the committee today will stand up and tell us a little bit about yourselves. And I know we have one ag econ major with us in our, in our-- so I'll let you guys elaborate from there.

LAUREN NITTLER: Hi, I'm Lauren, I'm from Aurora Colorado, and in my second year at the University of Nebraska-Lincoln, and I'm studying agricultural economics.

JESSICA VIHSTADT: I'm Jessica Vihstad from Omaha, Nebraska, I'm in my second year at the university, and I'm studying political science and criminal justice.

JACOBSON: All right. With that, we will begin today's hearing with LB2-- or excuse me, with LB699. And so Senator Strommen, I know you don't plan to move forward with this bill, but you'll, I'll let you open up for your open and tell us what you want to tell us, and--

STROMMEN: Thank you. Good afternoon, Vice Chairman Jacobson and members of the Revenue Committee. My name is Paul Strommen, P-a-u-l S-t-r-o-m-m-e-n. I represent District 47, which includes nine counties in western Nebraska, 10,500 square miles. Today, I'm here to present LB699. Circumstances have changed. LB699 is no longer necessary. In conversation with Chairman von Gillern, we agreed the best course of

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action was to proceed with the hearing. However, I request the committee take no action. Thank you.

JACOBSON: All right. Any questions for--

KAUTH: Some, anyway.

JACOBSON: You were all geared up for this, weren't you?

KAUTH: I, I'm so disappointed, yes.

JACOBSON: All right. No questions. For what it's worth, I'm not sure how we compare on square miles, but I do think that we have one western area senator who has us both beat by quite a bit.

STROMMEN: Well, a little bit, yeah.

JACOBSON: All right. Thank you. All right. No other questions? I do have to thank you. I will-- you're going to waive your close, I gather.

STROMMEN: Waive close. Yes.

JACOBSON: I do have to ask if there's any proponents, so we'll move on through that piece as well.

STROMMEN: Sure.

JACOBSON: Thank you for your testimony. Any proponents on LB699? All right, seeing none, any opponents for LB699? Now here's the key, as does anyone wish, wish to speak in a neutral capacity on LB699? If not, thank you very much. You're waving your close. that, that closes our hearing on LB699. And we'll move on to--

KAUTH: Senator, good work.

JACOBSON: And, and let me say before we-- I guess I needed a mention, thank you. LB699, we had two proponent testifiers, and we had zero opponent, and zero neutral. And I believe there were no, no handicapped testimony. So with that, we'll move on to Senator Riepe, and we doing LB211? I can't see the number.

BOSTAR: LB242.

DUNGAN: LB242.

JACOBSON: LB242. OK, we're-- and what about Senator Riepe, is he here?

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DUNGAN: That was his LA just going to get him, I think.

JACOBSON: All right, good.

DUNGAN: I saw I'm just step out.

KAUTH: He's just across the hall.

JACOBSON: Well they thought, they thought-- hey I'm running a committee right now, so they should, they should accomodate us. All right, we'll just talk amongst ourselves until-- knowing that there's a hot mic, and wait for Senator Riepe to get here.

KAUTH: So we should not, like, complain about you, right?

JACOBSON: That would be good. Well, yes. Be very clear on what you have to say. Microphones have a unique echo today for some reason. That usually doesn't happen during Banking Committee, just wanted to point that out.

KAUTH: As you say, isn't this is Banking Committee room?

JACOBSON: It is, this is, this is officially the Banking Committee hearing room, so. Senator Riepe, you're up.

RIEPE: Yes, sir. Thank you.

JACOBSON: LB242.

RIEPE: Yes, sir.

JACOBSON: And you can begin when you're ready.

RIEPE: Thank you. LB242. Thank you, Vice Chairman, or now Chairman, I guess, in charge, Senator Jacobson, and members of the committee, good, good afternoon. My name is Merv Riepe, it's spelled M-e-r-v R-i-e-p-e, and I represent District 12, which includes Omaha and the city of Ralston. Today I'm introducing LB242 on behalf of the League of Nebraska Municipalities and the Nebraska Association of County Officials. This bill makes necessary clarifications and technical adjustments to the Property Tax Growth Limitation Act, which was passed as part of LB34 during the 2024 special session. While most of the changes in LB242 are consistent with the original intent of LB34, some adjustments are needed to ensure the law is workable for municipalities and counties moving forward. To further refine the bill, I am offering AM273, which clarifies how tax incremental

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financing is factored into the definition of growth value under the Property Tax Growth Limitation Act. Beginning July 1, 2025, municipalities and counties will be sub-- subject to the new property tax cap outlined in the act, replacing the lid on restricted funds. Under Chapter 13, article 5, given that many local governments are already preparing budgets for fiscal year '25-26, LB242 includes an emergency clause to provide clarity as they move forward. The bill also aligns definitions across state law, amending Section 13-518 to harmonize the definition of allowable growth under the old lid on restricted funds with the growth value defined in the Property Tax Growth Limitation Act. Additionally, it updates Section 13-3403 to clarify how property tax request authority is calculated, ensuring municipalities and counties can appropriately account for their growth percentage as intended under LB34. Other key provisions of note in LB242 include amendments to Section 13-3404, which exempts to the property tax cap, including funding for substance abuse prevention, behavioral health, opioid abuse prevention, matching state and federal grants, and replacement of lost revenue from prior year. Updates to Section 13-3405 to allow special election to override the cap outside of the, the previous limited time frame, making the process more workable given the realities of local budget cycles. A transition mechanism under Section 13-3406 to carry over unused restricted funds authority from the previous system to the new unused property tax request authority, capped at 5% of total property taxes levied in 2024. Further, LB242 removes outdated revenue restrictions on municipal occupational taxes and ensures property tax statements accurately reflect the portion of taxes allocated to public safety services. It also simplifies how school district property tax relief credits are applied, and clarifies that county treasurers may retain a 1% commission on distributed credits. I will answer questions within the scope of my knowledge, but I will defer any technical inquiries regarding LB242 and AM273 to representatives from the Nebraska Association of County Officials and the League of Nebraska Municipalities. Additionally, an amendment has been drafted and will be distributed addressing key points of concern raised by the City of Ralston, who will testify to further explain the nature of the amendment. Thank you for your time and your consideration. And I have copies of the amendments to LB242 that I will ask if we can distribute those, please. With that, thank you, Chairman.

JACOBSON: Thank you, Senator Riepe. Questions from the committee? All right, seeing none. You'll stay to close, I'm sure?

RIEPE: Yes, sir.

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JACOBSON: Where else would you go?

RIEPE: Where, where would-- where could I find a better place?

JACOBSON: That's exactly right.

RIEPE: OK.

JACOBSON: All right. With that said, thank you, and I'll ask for the first proponent please? It looks like Ms.Rex.

LYNN REX: Senator Jacobson, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. First, we'd like to sincerely thank Senator Riepe and others that cosponsored this bill for introducing it. The League has a number of important bills this session. There is no bill more important than LB242, because there's nothing more important to a local government than its budget. That's what sets its priorities, just like with your state budget. So that is really important for us. And of course, the League also supports the amendment that Senator Riepe has also handed out. With that, I'd like to kind of do a brief overview of the handout that I just sent out to you. And it's very similar to just giving you an overview and then answer any questions that you might have. Just to explain a little bit of this, and then I will indicate that Candace Meredith, the deputy director of NACO, will be walking through an operational definition of how basically the LB34 cap works or doesn't, and then also what this bill would do in order to make it workable and operational. So with that, section 1, as already indicated, this would amend 13-518. 13-518 is the lid on restricted funds. Even though the LB34 cap goes into effect July 1, 2025 for municipalities and counties, other political subdivisions will remain under the lid on restricted funds, except for schools, they have a totally different cap. So consequently, it's important to try to make sure that some of these definitions actually match. Candace can go into more detail, but right now, county assessors have to give three different values on one parcel. Every parcel gets three different values. One for the lid on restricted funds, one for the pink postcard, and now one under the LB34 cap. This at least makes them the same, so that you'll only have to do two of the three instead of three. In addition, in section 2, amend Section 13-3403 of the Property Tax Growth Limitation Act. This is basically a very important consideration, because one of the things that was repeated to us many, many times, and was a big issue during the debate on LB34 during the special session was whether or not local governments would get growth. Would you be able to capture growth? And the answer was yes, you'll be

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able to capture growth. But unfortunately, the way the formula actually works, it does not allow us to capture growth in the bill as passed as LB34 during the special session. So we have, basically, language in L-- basically in LB242 to enable us to capture growth. This is really, really important for our growth municipalities. With that, the next section, section 3. This talks about the Property Tax Growth Limitation Act and also those provisions that are above the cap, if you will. And were-- there are three additional items we're adding in this on pages 5 and 6 of LB242. The first one we think is already under the definition of public safety services. And 13-320, that deals with basically substance abuse, that sort of thing, we think that's already there. So that's a clarification. The other two we think should be there, an exception to the cap for matching state and federal grants, and then subsection 10, an exception to the cap replacing any revenue stream lost from a prior year. In section 4, this amends Section 13-3405 of the act. And this is to allow for a special election to override the cap beyond just what is noted in LB34, and that's because of a timing issue. Sorry, I'm running out of time here.

JACOBSON: I, I-- if you could, I'd like for you to please complete reading those sections.

LYNN REX: Thank you very much. I appreciate it very, very much, Senator. So the reason for striking that language is because it doesn't work, for example, for the city of Lincoln elections. It doesn't work for some of the school elections. And so that's why that language would be stricken. Section 5, amend Section 13-3406. This is a transition for accumulating unused restricted funds authority. 13-521 of the lid on restricted funds currently, which is what we're under now until July 1, 2025, allows municipalities or counties and all political subdivisions subject to the lid on restricted funds, to basically move forward unused restricted funds authority. They're not levying on that, but they can move that forward, if you will, and there's no limitation on that. However, we agreed, and some of you were involved, many of you actually, in the discussions with the governor from August 2023 until April 2024, in the residence of the, of the governor's residence to talk about caps and that sort of thing. And what was suggested is to have a 5% cap on the amount of unused restricted funds authority. This is the transition language that is necessary when we're going from what is unused restricted funds authority to what basically would be allowed under this in terms of unused property tax request authority. It's a one year deal because it would enable them to go and move forward at least-- excuse me, at least 5%. Pardon me. Section 6. This amends Section 14-109. And I'm

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just going to reference here very quickly, section 6 involves Omaha, this is on occupation taxes; section 7 is Lincoln on occupation taxes; section 8, Lincoln again, occupation taxes; section 9, Section 16-205, that relates to cities of the first class on occupation taxes; section 10 on page 11 amends Section 17-525, that's occupation taxes as it applies to second class cities and villages. And then the one that basically ties into all of those relating to occupation taxes is section 11 and pages 11 to 14, and it eliminates that restriction on the amount of annual revenue that can be basically received from an occupation tax. And that was supposed to be in LB34, and things happened and it just didn't make it into the bill. So as a consequence, this is basically putting in what the Legislature's intent was in passing LB34. And Mayor Doug Kindig from La Vista is here today to talk about that as well. Section 10, page 14 of LB242. This amends Section 77-1701. And this deals with basically what the property tax statement will say. Right now under LB34, the property tax statement only indicates the amount of property taxes on your property tax statement that would be for public safety services above the cap. And what I think is more important and more transparent is to be able to say all of your-- let's take North Platte, Senator. So all of the property taxes that North Platte would have for property-- for public safety services, whether it's above the cap or not, should be indicated on that public safety statement. I'm sorry, on that property tax statement. And that would allow-- I think it's transparent to do it that way. Section 13, page 16. This amends Section 77-7305. And this deals of the issue of how one goes about dealing with a current, basically current taxing of school district property tax relief, taking the prior year credits, but applying them to the current year parcels. And I know that Candace Meredith will be going in more detail about that. And that's basically so that you don't have to go back and try to deal with parcels that have now been separated, split in 2023, and how to move forward on that. This bill has the emergency clause for a very important reason. Municipalities and counties right now are working on their budgets for FY '25-26. In fact, this morning I took a call from a city out west asking me, do you think we're going to have the capacity we need to hire at least one more street worker? Do you think we can do that? And my answer was, I don't know. I don't know what kind of a cap we're going to end up with. In the last couple of weeks, you've had two different caps submitted to you. Bless you. One by Senator Hallstrom and one by Senator Andersen.

JACOBSON: I do have one other question--

LYNN REX: Yes.

JACOBSON: --and I'm hoping that it'll be a shorter answer.

LYNN REX: OK

JACOBSON: But the, the-- you mentioned the-- when it comes to property taxes and how we're going to deal with, with factoring, did I understand you right that we're going to use the prior year's property tax number, or what, what are we're using?

LYNN REX: We're using current.

JACOBSON: OK.

LYNN REX: Other words we're using, we're applying the prior year's to the current. And Candace Meredith will go into detail on that.

JACOBSON: All right. I'll probably have a question too

LYNN REX: So in any event, this is a very important bill to us, of course. City of Omaha is already--

JACOBSON: Thank you, we'd, we'd probably better--

LYNN REX: OK.

JACOBSON: --keep moving on, I'll see if there's any other.--

LYNN REX: [INAUDIBLE] thank you.

JACOBSON: Questions from the committee. Senator Sorrentino.

SORRENTINO: Thank you, Vice Chairman. Could I go back to section 2 just for a moment?

LYNN REX: Sure.

SORRENTINO: And where we're talking about growth percentage, which is growth value for the numerator, I guess, defined as growth from one year to the next, divided by that political subdivision's property valuation in the prior year. That's how you get to growth percentage. My question is, when you were talking about section 2, did you say that this amendment does or does not affect the use of this growth percentage? Is there any effect on growth percentage?

LYNN REX: LB34 as passed, which is now the Property Tax Growth Limitation Act, does not allow counties and municipalities to capture growth when you're dealing with what ess-- would in essence is 0% or

less. And so because zero times anything is zero, and that includes against growth. And so as a consequence in working with the state auditor's office, who I will say was very careful to make it clear they don't weigh in on policy, they're just telling us what the forms would look like. And under this, we're not able to capture, municipalities and counties would not be, under LB34 would not be able to capture it. LB242 would enable a municipality or county to capture growth, Senator, whether it's zero or not.

SORRENTINO: OK. You can capture growth.

LYNN REX: Under LB242, not LB34.

SORRENTINO: Under LB242. So moving down the line, being able to do that, we go from A to Z. How does that affects, affect in general property taxes for the state of Nebraska? Help us? Hurt us? As a taxpayer.

LYNN REX: To capture growth?

SORRENTINO: As a taxpayer.

LYNN REX: I think we absolutely have to have it.

SORRENTINO: Would be an absolute positive, correct?

LYNN REX: Absolutely.

SORRENTINO: But we can't really put a number on that, can we?

LYNN REX: Well, there's no way to really know. I can tell you that in terms of municipalities, we probably have 10, 15 at the very most that are really growth municipalities. And you want-- Gretna being one, of course, Omaha, Lincoln, many of the first class cities. But it's really important to enable them to capture growth, because they're the ones that have to put in the infrastructure, the streets, the roads, and provide law enforcement and police protection, that sort of thing.

SORRENTINO: Thank you.

LYNN REX: Thank you very much.

JACOBSON: Other questions? Oh, yes. Senator Murman.

MURMAN: Yes. In Section 5, the carryover of the unused authority under the cap. That is just allowed for one year, is that right, for 2024?

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LYNN REX: They can carry it forward, every year 5%. But that's the one year transition, Senator. Because under 13-521, that basically is the unused restricted funds authority under the cap that they're under now. So for one year only they're carrying, they're transitioning the unused restricted funds authority into the unused budget authority for the purposes of LB34 and the Property Tax Growth Limitation Act. But after that, then it's already embedded so that if they choose to carry that forward, they can. And I want to underscore, they're not levying on that, they're carrying that forward not to exceed 5%.

MURMAN: So in other words, if they-- if the municipality or whatever the local taxing authority is votes to override the 3%, is that right, and go to 5% to carry over the base?

LYNN REX: Well, under, under this, for example, there is a voter override component to it if they want to. But the way that the cap works in LB34, it's the greater of zero or the SLCE index, which is a state and local expenditure. Yeah. And so if they want to go above that, whatever that is, then that would-- then they could have a vote of the people if they chose to do that. But we're talking here, that's language that basically mirrors in, in a way, 13-521, the lid on restricted funds, because again, right now, since 1996, municipalities and counties and other political subdivisions and other political subdivisions, by the way, will continue to be able to have unused restricted funds authority transitioning forward as they have in the past. And again, that doesn't apply to schools, but everybody else except for municipalities and counties, because now we're going to be under 08-27-25the LB34 cap.

MURMAN: So they do vote, if the voters vote to override the authority, you can carry over that unused authority each year. Is that right?

LYNN REX: The, the vote of the people is not required--

MURMAN: Only--

LYNN REX: --for any-- No. For unused budget authority, the vote of the people is not required to do that. And again, you're not levying on that, you're just having it there. And that's how a lot of municipalities over time have bought fire trucks, other equipment, and saved up to do major things down the road. So basically that does not require a vote of the people. They can have a vote of the people under current law on the lid on restricted funds. They can also have a vote of people under the LB34 cap if they want to go above zero, the

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greater of zero, or whatever the SLCE index is in that particular year, sir.

MURMAN: So if it's unused authority, they still can build up their base with the unused authority, is that--

LYNN REX: They can carry over not to exceed 5% of it. Again they're not levying on that, they're just carrying that forward. But what you have here, if you look on page 7, lines 6 through 13. So page seven, lines 6 to 13, that basically is just giving a transition year, because it's a-- because now we're going from a lid on restricted funds to what is unused budget authority which is different. So that basically what you have here is transitioning from a lid on restricted funds to unused property tax request authority. And just to underscore this, what you already had in LB34, if you'd be kind enough to look on page 6, starting on line 30. This is a section 5, page 6, line 30. This is already in LB34. "A political subdivision may choose not to increase its total property taxes levied by the full amount of the property tax request authority allowed in a particular year. In such cases, the political subdivision may carry forward to future budget years the amount of unused property tax request authority, but an accumulation of unused property Tax request authority shall not exceed an aggregate of 5% of the total property tax request authority from the prior year. The challenge was there was no transitional language when you're going from a lid on restricted funds in Chapter 13, Article 5, to what now is the Property Tax Growth Limitation Act. This is a one year scenario, Senator, just as transition, basically how you're going to characterize those funds.

MURMAN: So it is only allowed one year.

LYNN REX: The transition is a one year only transition. And after that, then the other language that you already have that I just read to you out of LB34, which is now the Property Tax Limitation Act. They are, they are now able to move forward, then. Let's, let's say, for example, it's July 1, 2026. So the Property Tax Growth Limitation Act has been in effect for one year. They can have an unused amount of 5% and carry that forward.

MURMAN: Every year going forward.

LYNN REX: Every year going forward not to exceed 5%. The total amount cannot exceed 5%. So it's not 5% plus 5% plus 5%. It's a 5% total.

MURMAN: OK. Thanks.

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LYNN REX: You're welcome.

JACOBSON: Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. Thank you for explaining all this. I think it's a very complex but helpful explanation. I appreciate that, and I had a couple of sections I can ask about. One was section 2, and Senator Sorrentino stole my question. And then the next one was section 5, and I think Senator Murman stole that question. But just to clarify on section 5, we're not creating any new carryover authority. This is just the bridge to get us from the way we used to do it, to the way we're doing it moving forward, correct?

LYNN REX: Correct.

DUNGAN: OK. So the 5%, that's already in the language that we passed with LB34 during the special session. This is just getting the old way of doing things to the new way of doing things.

LYNN REX: That's correct.

DUNGAN: OK. So we're not creating more carryover authority for political subdivisions for levying or anything like that.

LYNN REX: No.

DUNGAN: OK. That's what I thought, I just wanted to make sure.

LYNN REX: Not at all. In fact, if you look again on page 7, line 4, property tax request-- this is in LB34, property tax request authority shall not exceed an aggregate of 5% of the total property tax request authority from the prior year. That's already there. The only thing that was missing is how do you transition, then, for the one year? Because now when you go automatically to July 1, 2025, well, you no longer have any unused restricted funds authority, because that is no longer in play.

DUNGAN: We just needed the statutory language to get to LB34.

LYNN REX: That is correct.

DUNGAN: OK. The other question I had for you pertains to section 11, and you mentioned during your opening that I think somebody else is going to be here to talk a little bit more about that with the occupation tax as it pertains to that local subdivision.

LYNN REX: Yes.

DUNGAN: You mentioned that you thought that section 11 speaks to the intent of the Legislature during the special session.

LYNN REX: At least some senators. Yes, we were told that--

DUNGAN: Can you speak a little bit more as to what you mean by that, in terms of what the intent is that we were trying to accomplish with section 11?

LYNN REX: Yes. And so basically, section 11, what we're really doing here is taking off the restriction. We're taking out the amou-- the restriction on the amount that can be raised. If you look on page 12, for example, lines 20 to 22 as an example. So on page 12, the applic-- this is what's being stricken-- the applicable amount of annual revenue for each new occupation tax or annual revenue raised by the increased rate for an existing occupation tax for purposes of subsections of this section is-- and it goes on, \$6 million for Omaha, \$3 million for Lincoln, all of these different caps that are in play. What we were informed as we were working on LB34 is that those restrictions would be taken away. And, and so basically this is basically underscoring what the intent was, at least of many Senators that we talked to that told us that that would be the case.

DUNGAN: So, you don't, I guess in your opinion, see, section 11 is a policy change, but it's enshrining the original goal of LB34?

LYNN REX: That is-- yes.

DUNGAN: OK. And then--

LYNN REX: That's what we were told, it's-- I think the analogy would be like the growth.

DUNGAN: Yeah.

LYNN REX: You know, we were told, oh, you're gonna be able to capture growth. Well, LB34 does not let you capture growth if you're zero or below zero, anything times zero is zero.

DUNGAN: Right.

LYNN REX: So we want to make sure that at least even when the SLCE index is, is at zero or below, that we're going to be able to at least capture growth for those cities that, as [INAUDIBLE] council would

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say, still have to pay bonds for streets, roads, sewer systems and things like that.

DUNGAN: Sure. And I appreciate that. And then the last question I had pertained to section 12, with regards to the statements and the conversation surrounding funds due to any and all public safety services versus the public safety services outside the cap. Can you, I guess, briefly go into-- explain a little bit more why you think that accomplishes the goal of transparency more than what already existed?

LYNN REX: Because the LB34, the primary Tax Growth Limitation Act, the way that this section reads on page 14, if you look at 77-1701, the only amount that is above that's noted on your property tax statement. So now we're projecting forward after July, 2025, the only amount that would be indicated for the amount that North Platte, for example, is using for public safety services without this change would be, let's say that they take 2% above the cap for public safety services. In North Platte, anywhere from 50 to 60% of their budget, property tax related, is public safety related services. So from a transparency standpoint, it's important. Frankly, it's also important for the municipalities and counties to be able to let their citizens know we're not just spending 2% on public safety related services, which may be the amount they take above the cap or not, but we're paying-- Omaha is well above 60%. Lincoln is, I think, as well. That's for the first class cities, Omaha and Lincoln, predominantly. The smaller municipalities, of course, villages, really have no, no significant public safety expenses.

DUNGAN: So I guess is the goal then to make sure the public understands how much of the budget pertains to public safety?

LYNN REX: Exactly. How much of pro-- how many of your property tax dollars, how many of them are literally going for public safety related services? And we think that that-- I think was the intent of what was going on. But, and I do want to underscore the fact too that NACO and the [INAUDIBLE] Center are advocating to our members to be very, very careful about taking any of these exceptions and including the public safety exception, only if you need it, because you have to back those out the next year. And over time, the [INAUDIBLE] shows it ratchets you down. And so you don't take those exceptions unless you really need them.

DUNGAN: Got it. Well, thank you for that. I appreciate you walking us through this complex, complex bill. Thank you.

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LYNN REX: Thank you very much for your consideration.

JACOBSON: Senator Bostar.

BOSTAR: Thank you, Vice Chair Jacobson. Thank you, Ms. Rex. I wanted to talk about the election parts. You mentioned that this would change the override elections to be allowed to be different and not just on the standard general elections?

LYNN REX: Yes. Yes.

BOSTAR: And you mentioned that for Lincoln and Omaha that was important?

LYNN REX: For Lincoln, as I understand it, and I know Candace will be addressing this too, and possibly Jon Cannon as well. So on page 6, lines 20 to 22, the language being stricken is this deals with elections for basically, upon receipt of a recommendation or legal voter petition, the County Clerk or Election Commissioner shall place such issue on the ballot at the next regularly scheduled election or a special election called for this purpose. We're striking the language there "and held on the first Tuesday after the second Monday in May of an odd numbered year." Part of the reason for that too is because of your timing for budgets. Doing that in May, when in fact they're in the process of developing a budget. So it's a timing issue too. And so that's the other consideration.

BOSTAR: But I think that-- I mean, I know that the, the committee, when thinking this through, wanted to ensure that it was being placed on elections that had the highest turnout. And so, you know, city elections are-- have tragically low turnout, just a fraction of the community's population is participating. And so there was a real-- I don't think it was an oversight to do this, right? I mean, it was, it was specifically decided that we wanted to make sure that for budgetary reasons, that the most number of people were participating in that election.

LYNN REX: And that makes a great deal of sense, Senator. We don't-- we're not opposed to that. We're just saying it has to be a time that works. In May, you're, you're still working on your budget. I mean, things are still under way. So you really can't schedule anything for an override or anything else because you don't-- you don't even have a budget yet.

BOSTAR: So but--

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LYNN REX: We're happy to work with you on a date. I think your point is well taken.

BOSTAR: Yeah.

LYNN REX: We're not opposed to that. We're just saying that particular restriction doesn't work.

BOSTAR: OK.

JACOBSON: Other questions from the committee? I, I just have one quick question. I, I-- Senator Riepe in his open said something about tax increment financing. I don't see anything in here that modifies how we're dealing. I think we dealt with that, didn't we originally, in LB34?

LYNN REX: LB34 added in an amendment, it was a Senator Linehan amendment, is my recollection, I think a Select File amendment. And this is a clarification, kind of a technical cleanup of that amendment. And that is his-- that's what AM273 is, we support AM273 and I know Jack Cheloha is here to talk about that if you have any questions about that. It's, it's basically a technical cleanup of that TIF.

JACOBSON: OK. I'm going to be curious about that. Thank you very much. Seeing no other questions. Thank you for your testimony. I'd ask for the second proponent.

LYNN REX: Thank you very much for your consideration.

JACOBSON: Thank you.

LYNN REX: Thank you, Senator.

CANDACE MEREDITH: I get that.

JACOBSON: Welcome to the committee.

CANDACE MEREDITH: Good afternoon. My name is Candace Meredith, C-a-n-d-a-c-e M-e-r-e-d-i-t-h, and I'm with the Nebraska Association of County Officials. I'm here today and talking as a proponent of LB242, and thank you to Senator Riepe for bringing this. What I have here is I'm going to go through a couple of the sections that Lynn talked about a little bit further. So the first page I want to visit with you about is that formula that we have under LB34, and how it reads according to the language when we put it into a spreadsheet. So

we didn't notice anything at first until we were modeling and put in a 0% when we noticed that basically that the growth percentage would be pretty much wiped out when we go through the, the language on, LB34 and put it into a formula. So that's why-- so if you can see in the, the Property Tax Growth Limitation Act, LB34, you see in the blue we start out with the preliminary property tax request authority at \$148,750. We add in the growth. And then we, when we add in the 0%, just be-- the true nature of how it's written, we would basically be eliminating that growth percentage. So what we're trying to do in LB242 is to basically clean that up, so we're capturing that preliminary property tax request authority with the growth and the SLCE index. So basically get it to where we think the intent of the, the language was supposed to be. And then on the second page right there, there was some questions about those growth formulas. So when we added LB34 growth, allowable growth, we now have three types of growth that our assessors would basically have to work through to get those certifications of valuation out there. So this language that we're asking for in LB242 would basically help get back down to maybe streamline where we'd use LB34 growth under the LB-- or 13-518 budgets. And I kind of broke down that for you, what those growths all entail. So that's there for you, and I'd be happy to answer any questions on that. A couple other things, that unused authority, I think that that's the transition language. The best, best way to describe that is so say in last year a, a county board had about \$50,000 left over that they didn't use in their taxing authority. They set up their budgets, they got what they needed for their, their-- between their other revenues and their property taxing, and they had \$50,000 left over. They'd be able to carry that over to this year, and which isn't currently in LB34. And then that would just carry year over year if they don't use it, as long as they don't exceed that 5% in the total property taxes from that previous year. So hopefully that helps. The other thing I did want to-- oh.

JACOBSON: Your lights on, but won't you go ahead and finish your--

CANDACE MEREDITH: Just a couple other things I wanted to highlight. I-- you know, the whole idea of the substance abuse prevention, behavior health, and opioid use prevention. Just wanted to separate that out for just clarity purposes for the Auditor's Office. A lot of those types of things are done through our board, through contracts with nonprofits. So I want to make sure-- and those usually land in the miscellaneous general accounts in our smaller communities. So I just wanted to make sure that that was covered even though it could fall under public safety. Again, the clarification on the property taxes allocated to public safety. Again, when we're looking at just

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the cap public, this-- the, the portion of the cap in public safety, that authority may not be all used. So just to get a true reflection of what we're using for public safety taxes, that would just be the cleanup language there. And then again, the clarification on the using of the current year's value versus the prior year value when we're trying to develop tax credits. There was just a lot of complications when we talk about splits and combos. So our current tax statement structure basically is a reflection of what is at the actual year. And so when we were trying to pull in school credits from the last year's values, there wasn't really a nice tie, especially when there was a parcel that did not exist in that previous year. So we're having not just-- we had to come up with some sort of value on something that didn't exist, which caused some complication and didn't read as well as it would if we were to use a current year. And so it was just more of an administrative transparency thing, so when a citizen received their tax bill, they could understand what that looked like and they could add up the numbers. The other piece is that clarification on the school tax credit that is collected by the county and distributed back to the schools. We just wanted to mirror the language on the property tax credits that we currently receive. There's a 1% commission just to clarify that language. And then as Lynn mentioned again, the emergency clause on this is, is really important for us because we are in the process of trying to disseminate information, get that education going for our county boards so they're ready to go and prepare for their budget seasons.

JACOBSON: Thank you. While I'm thinking about, I guess I do have a question with regard to the commission you receive on the tax credit. So we have the Tier 1 tax credit, it's-- and, and you always receive the 1% commission on that. So are you also getting 1% commission on the LB34 tax credits?

CANDACE MEREDITH: The school credits? No.

JACOBSON: No. OK.

CANDACE MEREDITH: It wasn't clarified in language, so--

JACOBSON: Perfect.

CANDACE MEREDITH: --this ties-- yeah.

JACOBSON: That would be the, that would be the legislative intent, I, I believe. The-- I guess the other question is you're capturing the TIF value, so you're capturing the gross value of the TIF. So what's

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been divided each year as that goes up, that would be included in your growth. Because clearly you're going to have additional costs associated with supporting that new infrastructure. So I, I get that. On the 5%, I kind of, we kind of beat this dead horse earlier, but I want to beat it one more time. The-- so if you end up with-- and obviously for cities in particular. Cities generally all-- or the larger cities for the most part have local option sales tax. So they've got a revenue source from local option sales stores, sales tax, they've got fees, they've got occupation taxes, and they have property taxes. I think all of us are very concerned about the growth in property taxes, and hence we would certainly, at a minimum, want to see a shift away from property taxes to these other forms of taxation that are more consumption based. And I guess as I, as I look at that and I think about we have a 5% overrun, or we have, we can keep up to 5%. So next-- so we're ready to budget for this next year, we've got this overrun. We can keep a cumulative amount of 5% of the current year's tax collections. Is that what we're dealing with?

CANDACE MEREDITH: I believe it is that the current years, it cannot exceed 5% of the property taxes levied.

JACOBSON: Of the property taxes levied.

CANDACE MEREDITH: Yes.

JACOBSON: Just property taxes. So it's not all receipts, just property taxes levied. And it's 5%, and it's, and it's the total amount in the fund. So you can't increase the fund by 5%. It's 5%--

CANDACE MEREDITH: Right.

JACOBSON: --total in the fund. And it can't grow beyond the 5% of the taxes collected that--

CANDACE MEREDITH: It'll cap-- it will be capped. So if there's a carryover it'll cap out at that 5%.

JACOBSON: And I, and I get it. I mean you can-- we can all look at ways around that in terms of gaming it. You can say it has to be lower, and then the question is are we just going to spend it down. And so that, that seems to be something that makes some sense. I'm glad it's tied just to property tax collections and not to all revenues.

CANDACE MEREDITH: It's just a bit basically for that-- to have those revenue sources for the authority to tax only, and obviously they have

their levy. You know, that they have to abide by as well. But it's just-- I think it's for those really the smaller counties, you know, I think even for this transition piece that we're, we're talking about today, there was a lot of boards out there that had quite a bit of authority. They didn't-- thus they didn't need it, they got to the where they needed to be. It was just something that accumulated or they maybe had been saving up for possibly that inventory planning where they were going to buy that tractor or whatever. So this kind of going starting now will be zero. And so they just lost all that authority that maybe they've been building up for the last five years. So.

JACOBSON: Yeah. And of course it is not a crime to give money back to the taxpayer. That's just something we always want to keep in mind here too. So thank you. Questions? Senator Kauth.

KAUTH: Thank you, Vice Chair Jacobson. So I, I have concerns with the expansion of the public safety definition. We were really specific when we set that out because we didn't want cities and counties saying, well, everything is public safety. And there were some people who came in and testified. So when you're saying substance abuse, behavioral health, and op-- opioid use prevention, those are public health issues. And we very specifically kept public health out of the public safety definition. So that, that's a huge concern for me. Do you have any, any reasons why that's included?

CANDACE MEREDITH: I think when you do some of those preventative measures like that, it's going to save the taxpayers in the long run by having to go through some of the law enforcement intervention on the back end when we do things up front with, like those nonprofits. So that's--

KAUTH: Why--

CANDACE MEREDITH: --my mindset on that one.

KAUTH: That, that reach around to, well, it could help, it k-- it's not quantifiable and it's not, again-- that is exactly why we were very specific with saying what things qualify as, as public safety and so. OK. Thank you.

JACOBSON: Other questions? Senator Dungan.

DUNGAN: Thank you, Chair Jacobson. And I guess just to respectfully push back on Senator Kauth, just to ask a question. Do, do you have any quantifiable data, or is there any quantifiable data available to

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show how those upstream investments can benefit when it comes to public safety?

CANDACE MEREDITH: I'm sure we probably could gather some on either the statewide or national on some of those preventative measures. I know some of our larger counties have been doing some very great things in programming.

DUNGAN: And, and I don't know the specifics of that. And to that point, I'd be curious, I guess, to see, because we, we don't-- we obviously want to make sure that not everything falls under that public safety exemption, because you could argue like a road helps public safety, so you're right, I do think we need to make sure it's limited. But I guess I'd be curious to see what kind of benefits we've seen from those programs. So if you wouldn't mind maybe trying to collect some of that data and sharing it with the committee, that might be helpful in making decisions moving forward.

CANDACE MEREDITH: I have it marked follow up.

JACOBSON: Well, I want to come back to your thought as well, that that I agree with Senator Kauth, that, that we were very clear about that. And, and the only reason the public safety carve-out was there, because we wanted to make sure police and firefighters and their equipment was covered. There was really never anything suggesting that there would be programs that would be funded that may be doing preventative things, we, we really saw that as being part of the core budget. So I don't know, Senator Kauth, if you have something to add there.

KAUTH: Yes. So a question for you. So public health has its own budget line. Correct? We-- the city-- everybody does have public health as part of it that they spend general funds on.

CANDACE MEREDITH: Mm-hmm.

KAUTH: Yes? OK. So why would we remove these public health issues with these, these programs and put them under public safety? The only reason I could see it would be to extract more money from the property taxpayers.

CANDACE MEREDITH: I wasn't-- I don't-- it was it would be a separate-- it wouldn't be from public safety, it would be its own exceptions.

KAUTH: Right, I know, but, but again, the only exception we gave was for public safety. Because if we start saying exceptions for, well,

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the public health, then somebody's going to, like you said, with roads, somebody's going to come and say, well, we can tie everything very loosely into public safety, and all of a sudden 100% of the budget, and then there is no actual protection for the property taxpayer. So I-- unless there is a justifiable reason that that program would be considered public safety and not funded by public health, because public health already funds it, I, I would, I would have questions about that.

JACOBSON: Other questions? All right, seeing none. Thank you very much for your testimony. Next proponent?

DOUG KINDIG: Good afternoon, Vice Chair von Gillern and members of the Revenue committee. I'm sorry, Vice Chair Jacobson.

JACOBSON: I know what you meant.

DOUG KINDIG: I practiced it five times. My name is D-o-u-g-l-a-s K-i-n-d-i-g, spelled D-o-u-g-l-a-s K-i-n-d-i-g. I'm the mayor of the city of La Vista, and I appear before you today to testify in support of LB242 on behalf of the United Cities of Sarpy County. LB242 is a common sense, forward looking measure that empowers municipalities to address critical local needs while maintaining Nebraska's responsible approach to property tax limitations. This bill strikes a balance of providing cities with greater flexibility to manage revenues without raising property tax caps beyond the current growth limit. It is a pragmatic solution that supports both local governments and the state as we work together to meet financial challenges. We believe this bill furthers these purposes by giving the cities the freedom they deserve to levy local occupation taxes. Current legislation caps the total dollar amount the city can collect on any given occupation tax. For example, a city of the first class such as La Vista is capped at \$700,000 a year for any given occ tax. This cap does not allow us to capture the growth within that industry being taxed. Currently, our restaurant tax is 1% and it's capped that we can collect up to \$700,000 a year. Our historical data indicates that over the next ten years, with the growth in that industry, would net us an average of \$650,000 over the \$700,000 without changing the voter approved 1%. In a recent study conducted by the city of La Vista, 90% of the visitors to our local restaurants and hotels were not residents of the city of La Vista, and many were not residents to the state of Nebraska. Removing this gap will allow for us to capture the revenue from the growth of the during the tourism industry without financially impacting our residents. And it will allow us to replace the revenue loss with the current property tax growth limitations. We believe

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taking the cap off-- we believe taking the cap off occupation taxes solves local funding needs without raising property taxes. But this bill is just not good for cities. It is also good for the state of Nebraska. By giving municipalities the flexibility to meet our own funding needs, the state can experience less financial pressure to step in and assist. This allows state resources to be focused on broader priorities while ensuring that local communities remain strong and self-sufficient. With that, we support the passage and the advancement of LB242. I appreciate your time today, and would be more than happy to answer any questions.

JACOBSON: To the point of occupation taxes. I, I guess I-- obviously the bulk of it is coming from your hotel industry I presume.

DOUG KINDIG: Hotel and restaurant. Yes sir.

JACOBSON: And restaurants. I'm just trying to work through the math in terms of you build a hotel, you're going to have more property tax base, you're going to have more tangible personal property tax base. You're going to collect this, this tax, occupation tax. But is that-- I, I'm just trying to figure out how much that directly adds to the cost for the city and why that should be all dollar for dollar added to the growth rate.

DOUG KINDIG: You're completely correct that it does add to our property tax base, possibly personal taxes. But it also adds to the expenses that we run. We run many, many calls to all of our hotels, everything from medical to vandalism to thievery, that type of thing. The upkeep of the roads and the initial investment that we had to put in. You know, a lot of times the taxes that we're collecting this year are paying for advancements that we've made to our city in prior years. That's always going to continue. So is it dollar for dollar? In most cases, probably not. It's probably more of what we collect allows us then to move forward with other projects which can help in turn further economic development growth, which is good for all of us.

JACOBSON: Yeah, I-- it is kind of gets back to the earlier question Senator Kauth had, and, and that that I agree with is that we're now looking at expanding, seemingly, what we had agreed to in LB34. And, and, and I-- at the end of the day, we're going to have so many carve-outs that I realize some was oversight, but now we seem to be adding on to the exceptions to where the caps become meaningless because we've got all these other carve-outs. And, and occupation tax is one that concerns me from the standpoint that if you've got existing infrastructure in place and you've got occupa-- and you got a

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new hotel that goes up, a new restaurant that goes in, and I'm thinking even not just Lincoln and Omaha, but beyond. In many cases, it's not a lot of new roads. And, and you-- we talked about fire and, and, and police. But there's a lot of revenue that comes in when-- from these hotels and motels from occupation taxes. And it just seems like that going dollar for dollar seems very generous I'm guessing.

DOUG KINDIG: If you don't mind me to comment on that--

JACOBSON: Sure, go ahead.

DOUG KINDIG: --and I'll use our 84th Street redevelopment as an example. The city's put millions of dollars into that. Very little-- the city's not received anything from the state. I think some of the businesses qualified for some state aid. With the millions, tens of millions of dollars we put into that, right now, we basically have one restaurant in that development. We envisioned four, five. The way it sits today, we will exceed the \$700,000 with our current restaurant tax. That isn't going to pay off that tens of millions of dollars of investment. So we're allowed to capture the natural growth of our economic development and exceed that \$700,000. That's why it's not dollar for dollar for the development. It's the entire development when it's finished. So that's why it's so important to the city of La Vista, so that we can continue to pay the bills back. I am not against property tax caps. I applaud you for dealing with that. We can live within some caps. But we have to have a revenue source to be able to go ahead and continue with all the amenities and services that we give. And if you don't mind, Senator Kauth, if I could just give you the city perspective of your question. A lot of counties do have public health departments in their own budgets and stuff. In the city of La Vista, we don't have that. Our police department runs most of those programs. They're the ones that are hands on with the drug offenders, with the mental health issues. So it's really our police department at a local level that does manage those type of public health services that you mentioned. I just wanted to--

KAUTH: --They, they manage the programs?

DOUG KINDIG: They work in hand with the public health department at the county, but there's an awful lot of hands-on that they're the ones that are on the frontline that are dealing with those issues.

KAUTH: I agree.

DOUG KINDIG: Yeah.

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JACOBSON: Other questions from the committee? All right. Seeing none, thank you for your testimony.

DOUG KINDIG: Thank you, Senators.

JACOBSON: Sure. Any other proponents? How are you?

JACK CHELOHA: Very good. Good afternoon, Vice Chair Jacobson and members of the revenue committee. My name is Jack Cheloha. The first name spelled J-a-c-k, the last name is C-h-e-l-o-h-a-, and I'm the city administrator for the city of Ralston. I've been on the job for roughly two months, and I'm here to represent Ralston today, and, and talk to you a little bit about LB242. Thank you to Senator Riepe for introducing LB242 on behalf of municipalities and counties in the state. And likewise, thank you for introducing the amendment today, AM273. We are mindful of the ongoing attention given to property taxes in the state, and Ralston wants to do its part to be helpful. In the summer of 2024, the Unicameral Legislature passed LB34, which made changes to the Nebraska property tax system. Some of the changes were helpful, and some of them, even though they were meant to be helpful, it didn't turn out that they were. I'm here to speak on one of the changes that was not helpful to cities and particularly to the city of Ralston. The change occurred in the definition of growth value. Our cities are huge economic drivers in our state. Cities need the ability to grow and make budget adjustments for their growth, and for the citizens demands for valuable and life saving services. It is helpful for Ralston to be able to account for the increases in emergency services that's allowed in LB34. However, the part relating to the capture of growth for anticipated incremental growth due to tax increment financing is not so helpful. Here's the reason why. Ralston has a tax levy of 66.678 cents per \$100 of value. As you know, cities are allowed a maximum levy of \$0.45 plus \$0.05 under interlocal agreements for a total levy of \$0.50, and then the rest is debt service. If we were to count the growth of TIF projects ongoing but not paid off on July 1 of 2025 as LB34 says, we would not be able to raise our levy to capture that growth. You were trying to do us a favor and, and allow cities to capture that, but we couldn't because we have no room in our levy to grow. We've talked to the Douglas County Assessor on LB34, and they've stated that TIF projects will be recognized in the real growth calculation in year one of the TIF instead of when a TIF has actually closed. The TIF valuation does not become realized until the TIF is closed. This creates a disconnect between the recognition of real growth, and one if TIF's value is actually taxable to everybody in that county domain. For instance, the, the state just came out with an audit saying statewide there's a

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roughly \$6.8 billion of TIF. And if all of that's going to be counted on July 1 of 2025, that would be astronomical and hard to figure out. So there was an error, if you will, in LB34. The new language offered by Senator Riepe-- I'm sorry. I reached my red light. May I finish this, it's about the amendment?

JACOBSON: If it's very short, yes.

JACK CHELOHA: Yes. OK. So the new amendment, AM273, would define growth in such a way on TIF projects, which would be helpful to cities of other-- and other taxing entities. We've shown the amendment to cities and counties, and they all agree it's workable for them. It would allow us to actually capture the growth from a TIF project once it's completed, and the TIF loan has actually been paid off. We feel that this is a better way to define growth, and we would ask you to support AM273 and then LB242 as well. Thank you very much.

JACOBSON: OK. So I-- on this TIF subject.

JACK CHELOHA: Yes, sir.

JACOBSON: So most of these TIF projects are going to be 15 year projects--

JACK CHELOHA: That's right.

JACOBSON: --though they will likely pay off sooner. So it seemed to me that what we were doing trying to accomplish with LB34 was once the project was built, OK? Which was going to be probably within 12 months of when the project is begun, you're going to have a higher tax base. It's going to be split, going to be divided. And so the higher the-- any re-- tax revenues generated from the-- from that growth in valuation--

JACK CHELOHA: Right.

JACOBSON: --would go to pay off the TIF bond.

JACK CHELOHA: Exactly.

JACOBSON: The rest of it would go to the political subdivisions as it is today. But we're letting you capture all of the valuation for growth calculations to exceed, allow you to exceed your growth limitation. Now I'm hearing you say, no, don't give us that.

JACK CHELOHA: Well, if you--

JACOBSON: I don't follow that.

JACK CHELOHA: Right, if you look at LB34 it, it assigns a, a snapshot to everybody and say, how many TIFs do you have going on on July 1 of 2025? No matter what it is it says count that now. And if you have the ability under your \$0.45 plus \$0.05, you could go ahead and say, well, that's growth. I can tax the other residents and raise my levy to get that growth now. But what we're saying is for Ralston, because we're already at our maximum, we have to wait till the TIF is paid off and the actual increment then becomes available for all taxing authorities, meaning your base has grown--

JACOBSON: But we're, but we're really talking about something different, we're talking now about how many tax dollars you're going to collect for this political subdivisions in aggregate, not what you're going to be able to do in terms of growth limitation. So I, I wonder to what extent is Ralston unique to any other city in the state when it comes to how you treat debt?

JACK CHELOHA: Well, I think, I think we treat it the same, but I'm saying that--

JACOBSON: no, no, I'm just saying I-- how it's impacted. I will, I will guarantee you that when you go out-- outside of Lincoln and Omaha, they're going to want to count just as we did in LB34. They absolutely want to be able to count the incremental value that was added to-- even though they're not receiving the tax receipts from it, they want that to be able to count towards their property tax growth. You're capped out. I'm--

JACK CHELOHA: That's not true, Senator. We showed our amendment to Lincoln, to Omaha, the League of Municipalities, NACO--

JACOBSON: I'm talking about North Platte, Pawnee, Scottsbluff. There are cities outside of Lincoln and Omaha that do exist in this state.

JACK CHELOHA: Right, and that's something that we [INAUDIBLE]--

JACOBSON: And they don't look at it the same way.

JACK CHELOHA: Well, it was in the League's bulletin, they shared it and publicized it a number of times, and they asked every city to get back to them, effective on this language. We offered it and, and everybody said, that's fine. We can either count it now or we can count it later. For us, we asked to count it at the end, once the TIF

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has paid off, because it's actual growth and value that's available to everybody, which makes sense. And they didn't have any concerns.

JACOBSON: But you're telling me that the language says you can-- you gets it either/or, you get to choose which one you want to use.

JACK CHELOHA: Well, if you look at the amendment, he's just redefining growth. And he's saying, let's count the growth of a TIF when it's actually available.

JACOBSON: And I would be adamantly opposed to that. And I will tell you it'll stop the bill if that's what we're going to do. So if it's an either/or, that's a different story. But I can tell you that there, there are many other cities out there that aren't capped the way you are in Ralston.

JACK CHELOHA: I, I think that's acceptable, Senator, if you want to write an either/or. I mean, because cities have different circumstances within their budgets. Either count it this way or that way. The, the issue, though, is we have to submit a budget to the State Auditor, and they're going to have to, you know, check and know which one we're on, and so.

JACOBSON: I understand that, and the, and the bill hasn't passed yet either, so--

JACK CHELOHA: Well, well, correct, yeah.

JACOBSON: --so I'm just telling you, this is the bill in front of us. And I can tell you that one, I have a lot of indigestion, with. That, that, that bad piece of it. Other questions from the committee? All right. Seeing none, thank you for your testimony.

JACK CHELOHA: Thank you.

JACOBSON: Any other proponents? OK, seeing none, how about opponents? No opponents? How about anyone wishing to speak in a neutral capacity? Seeing none, Senator Riepe? You're welcome to close. Oh, and while you're coming up, we had four proponent letters, six opponent letters, and zero neutral testifiers. And I don't believe we had any ADA comments either. All right. Thank you. You're welcome to close.

RIEPE: Thank you, Chairman, and thanks to the committee. And thanks to all those that have testified today that made the effort to come here. LB34 in 2024 was a major effort by this committee to create a relief in terms of property taxes and in general. And today we're here to try

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to do some of what I call, I guess, the cleanup work on it. And again, the devil has been in the details. We've been trying to figure out this whole thing. We will go back and take a look at the either/or incentives. This bill was never intended to benefit, even though I represent Ralston, it was never intended to simply benefit Ralston alone. And I know I had some co-sponsors of some other-- from Kearney, Senator Stan Clouse was one of the co-sponsors. And so we had some other support. With that, I would take questions that I might be able to address.

JACOBSON: All right. Questions for Senator Riepe? Last chance. All right. If not, thank you for bringing the bill. Thank you for your testimony today.

RIEPE: Thank you.

JACOBSON: And that concludes our hearing on LB242. And since you're already in the driver's seat, we're going to let you open on LB211.

RIEPE: Are you ready for me?

JACOBSON: You can go whenever you're ready.

RIEPE: OK. Chair Jacobson and members of the committee, good afternoon. My name is still continues to be Merv Riepe, and it's M-e-r-v R-i-e-p-e, and I represent District 12, which includes Omaha and the city of Ralston. I am introducing LB211 at the request of the League of Nebraska Municipalities and the Nebraska Association of County Officials. This bill makes a targeted adjustment to the Property Tax Growth Limitation Act, which was enacted through LB34 during the 2024 special session. As of July 1, 2025, municipalities and counties will be subject to the new property tax cap outlined in the act and will no longer operate under the quote unquote lid on restricted funds end of quote. In Chapter 13, article 5, LB211 specifically amends Section 13-3403 of the act to provide additional flexibility for local governments, particularly smaller counties and municipalities that do not allocate sufficient portions of their budgets to public safety services. Under the bill, if a political subdivision's spending on public safety services, as defined in Section 13-320, accounts for less than 20% of its total budget funded by property taxes, its property tax request authority could increase by the greater of 2% or the inflation percentage, ensuring some level of budgetary stability even when inflation is low or negative. If a political subdivision's spending on public safety services accounts for 20% or more of its total budget funded by property taxes, its

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property tax request authority could increase by the greater of zero or the inflation percentage, consistent with the original framework established in LB34. The purpose of this adjustment is to account for the reality some smaller communities and municipalities will not be able to take advantage of the property tax cap exception for public safety spending, because they allocate a relatively low portion of their budget to those services. By allocating for a minimum growth factor, LB211 ensures they have at least some ability to keep pace with the rising cost and maintain essential services. I am willing to answer questions within the scope of my knowledge, but I will defer technical inquiries to the representatives from the League of Nebraska Municipalities and the Nebraska Association of County Officials who will be testifying, obviously, in support of the bill. Thank you, Chairman Jacobson and members of this committee.

JACOBSON: Thank you, Senator Riepe, and I assume you'll hang around to close?

RIEPE: Yes, sir.

JACOBSON: And, and, and since I'm the Vice Chair and we don't really have a designated replacement I'm going to turn this over to Senator Bostar while I take a little break and be back.

BOSTAR: That's great. Questions from the committee? Seeing none, thank you, Senator Riepe.

RIEPE: Thank you, new Chairman.

BOSTAR: First proponent? Welcome, Mr. Cannon.

JON CANNON: Good afternoon, acting Chair Bostar, distinguished members of the Revenue committee. My name is Jon Cannon, J-o-n C-a-n-n-o-n. I'm the executive director of NACO, also known as the Nebraska Association of County Officials, here to testify today in support of LB211. I certainly appreciate Senator Riepe bringing the bill on behalf of NACO and the League. When we passed-- when the Legislature passed LB34 last year, one of the things that was put in there in one of the defining characteristics of LB34 was a property tax cap that we had not had heretofore. And that cap was, as you know, 0% or the state and local consumption expenditures gross-- and gross investment index, whichever was higher. And there were certain exceptions that were written into LB34. Most notable among them was the public safety exception. We had a little bit of a colloquy about that in the last bill, but I won't go into that. But suffice to say that certain

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counties will never be able to access the public safety exception. And the reason for that is because when you look at their budgets, that's, that's just not something that for smaller counties that they're, they're going to really be able to make use of. NACO did a study several years ago of the budgets of all 93 counties across the state. And what we found is a little bit interesting. For those counties with a population in excess of 50,000, that would be a big five instead of the big three that we traditionally think of, their budgets look almost nearly identical. I mean, the-- there's a large proportion of the budget that goes toward public safety, and a little bit less that goes toward infrastructure, and certainly then the overhead for the administration of, of county business. For those counties with a population under, under 5,000, it's kind of the same story. Their, their budgets, their, their budgetary priorities are primarily for public infrastructure. They're spending more on roads and bridges. Public safety is a very, very small portion of, of the budget. And so anyway, for those counties, the exception really doesn't do them a lot of good because it's such a negligible part of the budget. You know, in those counties, again, under 5,000 people, there's about probably 40-some-ish counties that, that meet that criteria. I do have to make a note on the fiscal note that was released. We've asked for our portion of it to be withdrawn. And it identifies 81 counties that would be affected, that would, that would have less than 20% of their budgeted property tax expenditures going toward public safety. When we were originally reading that, it was looking at 20% of the overall budget as opposed to 20% of the property tax ask. When you do 20% of the property tax ask, the-- those numbers actually turn into ten counties. And so that's why we asked for the fiscal note to be withdrawn. For what it's worth, we looked at, at on a five-year average basis, and also on the prior year. In the prior year, those counties were Arthur, Boyd, Cedar, Greeley, Hayes, Holt, Hooker, McPherson, Pawnee and Wheeler. Very, very small counties. If you look at a five year average, those would be Arthur, Banner, Blaine, Cedar, Greeley, Hayes, McPherson, Morrill, Pawnee and Wheeler. Again, these are some of the smallest counties that we have in the state. Like I said, we'll resubmit the fiscal note. I'm out of time. I'm happy to take any questions you have.

BOSTAR: Thank you, Mr. Cannon. Questions? I have one. I've-- for the purpose of the question, I want you to imagine some things with me. Let's imagine this bill passes.

JON CANNON: OK.

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BOSTAR: Now let's imagine you have a political subdivision that has their public safety expenditures equal to. 21%. What do you think that county does, or that city, or whatever? What do you think they do?

JON CANNON: Well, I, I would have to imagine a couple of other things. I'm, I'm presuming that we're in an environment where SLCE is below 0%, and so they're looking at a 0% cap. Or, or the SLCE is less than 2%. Right?

BOSTAR: Sure.

JON CANNON: And I, I guess it's. What does that county do? It's going to depend on the county. There are a number of counties that are, particularly when you're talking about the smallest of the small, that are extremely conservative in how they manage the fiscal affairs of the, of the county. And I would imagine that those counties are going to say, whether it's 21% or 19%, we're going to budget the same. And, and so I, I, I don't see the-- foresee that for the majority of the counties that, you know, we've identified as being the ten counties that are the smallest of the small, from a budgetary standpoint of how they access the public safety exception, I, I don't foresee them saying, well, we're going to nudge it down a couple points just so we can take advantage of 2%.

BOSTAR: If taking advantage of the 2% isn't compelling, then this bill has no purpose. Isn't the whole point so that because there's value in that 2%-- it doesn't seem like you can have it both ways. It can't both be true that these political subdivision, subdivisions will need this 2%. And also, if they're just shy of being able to get it, they wouldn't take any action to capture it if they needed to. Which one is it?

JON CANNON: You know, again, I think it's going to depend, sir. So, you know, and it's going to depend on a lot of other factors that we haven't, haven't really gone through. And so if you have, as we've seen in the last several years, if you've got a county that has experienced year over year increases on their health insurance of 12 to 15%, you've got gravel, which is where-- what most county roads are, are covered with or surfaced with, that have 10.5% increase on, on gravel year over year, or hot mix asphalt has a 12% increase year over year, those are factors that are-- that certainly are going to--

BOSTAR: Costs are going up.

JON CANNON: Yeah.

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BOSTAR: Yeah, absolutely. Which is why I think that when faced with the prospect of capturing an additional 2% of allowable levy growth, counties would want to take it, or, or cities or, whoever's captured, right? Which then leads to the obvious conclusion, which is that this bill creates an incentive to reduce funding for public safety. This bill defunds the police, so to speak.

JON CANNON: Well, I, I think that's a wholly inaccurate way of putting it, sir.

BOSTAR: I don't think so. Thank you very much. And turn things back over to the vice chair.

JACOBSON: Thank you. I didn't know I was the good cop here, so thank you. All right. Any other questions for the testifier? All right. If not, Mr. Cannon, thank you for your testimony.

JON CANNON: Thank you very much. Have a great day.

JACOBSON: Next Proponent. Ms. Rex, welcome back.

LYNN REX: Thank you. Senator Jacobson, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x, representing the League of Nebraska Municipalities. We're here today in strong support of LB211. We appreciate Senator Riepe introducing this measure. And as indicated, this is a measure that is intended to address those smaller entities that do not have significant public safety expenditures. And as soon as we get this handout, I'll kind of walk you through it a little bit. But basically, if a municipality has 20% or less-- or less, rather, of their public safety-- of their property taxes going toward public safety services, then basically they would be able to capture, if a 2% minimum, in the event that you're looking at a SLCE index of zero or below, or if SLCE is 1%, anything below 2% for example. We have 528 cities and villages in the state of Nebraska, 328 of those are villages, meaning on paper 100 to, 100 to 800, but a lot of them even below 100. And most of our villages do not have any significant public safety related expenditures. If they're fortunate enough, they might be able to have a contract for-- with a rural fire district, for example, or something like that. So in any event, the whole issue here is trying to provide them some flexibility. When you look at basically the larger municipalities, certainly all first class cities, Lincoln and Omaha, even some of the larger cities of the second class, population 800 to 5,000, they will have some ways to basically capture that public safety exception if they need it. And as John Cannon indicated, we're talking about a scenario here where SLCE is at 0, 1,

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below 2%. Because basically what LB34 is, the Property Tax Growth Limitation Act, is the greater of zero or the SLCE. 0% or the SLCE index. So we're talking about those scenarios when now they are basically in a situation where they're at zero, something below even 2%. And this allows them to do something. These smaller municipalities, they also have got to pay bonds for streets and roads. They're also paying for the two or three, possibly, workers that they have. So in any event, we think this is a fair way of, of dealing with this issue and providing them an incentive. If you look at the bottom of the handout, 13-320, I actually put in there the exact definition of what public safety services are and how they're defined, it's a very, very broad definition. And as I indicated in my prior testimony, and I'll incorporate it by reference from LB242 into this hearing, which is that quite frankly, I mean, we're in a scenario here where our smaller municipalities need to be able to address their issues as well. And we have hundreds of them. So the large municipalities, they're going to have some flexibility. If SLCE goes to zero, there are ze-- there are still remaining. If their expenditures are at 20% above or higher, if you will, they are basically going to be the greater of zero or the SLCE index. If it's a zero, they're at zero. But they at least have that significant public safety exception. And we're encouraging folks not to use that yet unless they really need it. This is about only if you need it, because again, you have to back those out.

JACOBSON: All right, thank you. Questions from the committee? All right. Seeing none, thank you.

LYNN REX: Appreciate your consideration. Thank you.

JACOBSON: All right. Other proponents for LB211? Seeing none, are there any opponents for LB211? Seeing none. How about any neutral testifiers? All right. Senator Riepe, if you want to come back up, I would note that there were two proponent letters, eight opponent letters, zero neutral testifiers, and no ADA comments. With that, Senator Riepe, you're welcome to close.

RIEPE: Thank you, Chairman Ja-- Thank you. I, I again want to thank the committee, and I want to thank all those who testified. I appreciate the expertise they were able to bring on this very complicated and very serious, because it deals with one of the primary things, taxes that we have to deal with and funding and the need for growing revenue, if you will, within the-- this body. So with that, I will address questions [INAUDIBLE].

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JACOBSON: Questions from the committee? All right. Seeing none. Thank you for the bill, for bringing the bill, and for testifying today.

RIEPE: Thank you all.

JACOBSON: This concludes our hearing on LB211, and I believe we're done for the day. I'm guessing if I had an exec session here, von Gillern might be a little upset. So.