

MARCH 9, 2005

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SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: Good morning. Welcome to the George W. Norris Legislative Chamber. Our chaplain today is Pastor Peggy Cooper from Presbyterian Church in Tecumseh. That is Senator Heidemann's district, District 1. Pastor.

PASTOR COOPER: (Prayer offered.)

SENATOR CUDABACK: We thank you very much, Pastor Cooper, for that. We appreciate you being here. I call the fortieth day of the Ninety-Ninth Legislature, First Session, to order. Senators, please record your presence. Record please, Mr. Clerk.

CLERK: I have a quorum present, Mr. President.

SENATOR CUDABACK: Are there any corrections for the Journal?

CLERK: I have no corrections, Mr. President.

SENATOR CUDABACK: Reports, messages, or announcements?

CLERK: Your Committee on Enrollment and Review reports they've examined and reviewed LB 9 and recommend it be placed on Select File; LB 55, LB 450, LB 247, LB 544, LB 122, LB 471, LB 105, LB 360, LB 362, LB 363, LB 402, LB 648, LB 649, LB 650, LB 115, all on Select File, some having Enrollment and Review amendments attached. Your Committee on Revenue, chaired by Senator Landis, instructs me to report LB 172 indefinitely postponed; LB 224, LB 413, LB 417, LB 448, LB 571, LB 575, LB 576, LB 600, LB 607, LB 610, LB 612, LB 628, LB 646, LB 692, LB 699, all reported indefinitely postponed; those signed by Senator Landis. Health and Human Services reports LB 547 and LB 569 indefinitely postponed; those signed by Senator Jensen.

Senator Combs selected LB 454 as her priority bill; Senator Baker has selected LB 343 as one of the committee...two committee priority bills. New resolutions: LR 51 by Senator Engel, LR 52 by Senator Stuthman; both will be laid over. And I have two gubernatorial appointment letters, Mr. President; both

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will be referred to Reference. That's all that I had.
(Legislative Journal pages 779-784.)

SENATOR CUDABACK: Thank you, Mr. Clerk. First agenda item, be
General File appropriations bill. Mr. Clerk, LB 503A.

CLERK: LB 503A by Senator Stuhr. (Read title.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Stuhr, you're
recognized to open on LB 503A.

SENATOR STUHR: Thank you, Mr. President and members of the
body. LB 503A is the appropriations bill for the Nebraska
Retirement Systems Committee's priority bill, which is currently
on Final Reading. The delay in this A bill is due to the
additional amendments that were included in LB 503 during
General and Select File. LB 503 makes a number of changes in
the Nebraska Public Employees Retirement Systems, or NPERS, the
agency which oversees the five major public retirement plans in
the state. LB 503 adds the responsibility of NPERS in the areas
of internal auditing and testing of information submitted by
employer political subdivisions. There is an appropriation of
funds for an assistant internal auditor and programming changes
in order to fulfill these additional duties to ensure that
administration of the plans is properly performed. LB 503
provides for additional per diems for members of the Investment
Council and the Public Employees Retirement Board. Funds for
these amounts will be paid for out of retirement plan member
funds, and total \$4,800 each year for PERB, and \$2,664 each year
for the Investment Council. Finally, LB 503 provides funds to
cover the employer rate contribution increase for the State
Patrol and carrier enforcement officers. This amount is
required because the state actuary has indicated that there is a
need for additional contribution requirement, in some part due
to the market losses that occurred in 2001 and 2002. LB 503
increases the employee and employer contribution rates to cover
this contribution requirement. This amount totals \$804,161 for
2005-2006, and \$864,332 for 2006 and 2007, to be paid from the
General Fund. An additional \$164,654 and \$176,423 will be paid
out of the Carrier Enforcement Cash Fund during the next
biennium. It is my understanding that these amounts were

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covered in the Governor's budget request. I ask for your support in advancing LB 503A in order to fund these requirements. Thank you.

SPEAKER BRASHEAR PRESIDING

SPEAKER BRASHEAR: Thank you, Senator Stuhr. You have heard the opening on LB 503A. Discussion? Seeing none, Senator Stuhr, to close. Senator Stuhr waives closing. The question before the body is the advancement of LB 503A. All in favor signify by voting aye; those opposed, nay. Have you all voted? Mr. Clerk, please record.

CLERK: 30 ayes, 0 nays, Mr. President, on the advancement of LB 503A.

SPEAKER BRASHEAR: LB 503A is advanced. While the Legislature is in session and capable of transacting business, I propose to sign and do sign LR 47. Thank you. Mr. Clerk.

CLERK: Mr. President, LB 306A, introduced by Senator Byars. (Read title.)

SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: Senator Byars, you're recognized to open.

SENATOR BYARS: Thank you, Mr. President. LB 306A is the appropriations bill that follows LB 306, which requires criminal background checks for certain healthcare professionals. It is a cash funded appropriation of \$16,500, which comes from the Professional and Occupational Credentialing Cash Fund, and is only that--\$16,500 cash funded. And I would ask that you advance LB 306A.

SENATOR CUDABACK: Thank you, Senator Byars. You've heard the opening on LB 306A. Open for discussion. Seeing no lights on, Senator Byars, did you wish...he waives the opportunity to close. The question before the body is, shall LB 306A advance to E & R Initial? All in favor vote aye; those opposed, nay. Voting on advancement of LB 306A. Have you all voted on the

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question who care to? Record please, Mr. Clerk.

CLERK: 27 ayes, 0 nays, Mr. President, on the advancement of LB 306A.

SENATOR CUDABACK: LB 306A advances. We now go to General File, 2005 senator priority bills. Mr. Clerk, LB 44.

CLERK: Mr. President, LB 44, introduced by Senator Redfield, relates to revenue and taxation. It changes income tax deductions and creates a homestead exemption. Bill was introduced on January 6 of this year, referred to the Revenue Committee for public hearing, advanced to General File. I do have committee amendments pending. The bill was discussed briefly, Mr. President, on March 2. (AM0248, Legislative Journal page 440.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Redfield, would you give us a quick review of the...what...

SENATOR REDFIELD: Thank you, Mr. President, members of the body. I'd be happy to. LB 44, in the green copy, provides a \$6,000 homestead exemption to property tax owners who reside in their own home in Nebraska. There is a pending committee amendment, and an amendment to that amendment. Thank you.

SENATOR CUDABACK: Thank you, Senator Redfield. Senator Landis, would you give us a update or review on the committee amendments to LB 44.

SENATOR LANDIS: Thank you, Senator Cudaback. The committee amendments decrease the homestead exemption from six to five...from \$6,000 to \$5,500, and delay the income tax add-back of mortgage interest until tax year 2007. This delay serves to match the income tax increase for the same year that property tax reductions would be realized by taxpayers. The homestead exemption for 2006 would reduce taxes paid the following year, thus, matching the income tax change in the amendment. The reduction in the homestead exemption to be adopted by the committee amendment would almost exactly balance the state revenue increase due to the disallowance of mortgage interest as

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an itemized deduction, so the bill is essentially revenue neutral if the committee amendment is adopted. In short, many of those...many of you who've gotten e-mails, phone calls, and letters concerning LB 44 as...call it a tax increase, that was only true for the tax year 2006, by trying to match tax years. But the adopting of the committee amendment eliminates the one-year anomaly. The committee serves to make the bill neutral, as was intended by Senator Redfield. It was always the intention of Senator Redfield and it was the intention of those of us who voted for the bill that this be revenue neutral; that we shift one kind of tax break, and remember this is a tax break that we give, for a different kind of tax break. And one is an income tax break and one is a property tax break. But because those are different tax bases, we have to equalize and try to get those two things to happen simultaneously. That's the purpose of the committee amendments.

SENATOR CUDABACK: Thank you, Senator Landis. We will now go to Mr. Clerk. Amendment please.

CLERK: Mr. President, Senator Redfield would move to amend the committee amendments with AM0711. (Legislative Journal page 785.)

SENATOR CUDABACK: Senator Redfield, you're recognized to open on AM0711.

SENATOR REDFIELD: Thank you, Mr. President. Members of the body, I was the one who brought the committee amendment to them because, in fact, as Senator Landis has stated, the intent all along was to be revenue neutral. It was not intended to be a tax increase. And so, in the committee amendment, we change the date. The Department of Revenue had calculated that fiscal note based on withholding. After a great deal of thought, the Department of Revenue thought why should they change the withholding tables when, in fact, only one out of four filers today is using that, but the withholding tables apply to everyone. And so, after they thought about it, they decided they would not put it into the withholding change and, therefore, we would not need the date change in the bill. And the other thing that they found out when they were going back,

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based on data, when they calculated the first fiscal note, and comparing it to data that has just come in, they were able to establish that to be revenue neutral we have the ability to raise the homestead exemption to \$8,250. Now, I will admit to you that that took my breath away, because that was a far cry from the \$6,000 that we'd been told originally, and the \$5,500 when we went to the committee amendment that they assured me was within \$16,000 one way or another. It's good news because we can give more property tax relief and it gets us moving down the road under this mechanism of providing more direct property tax relief, but I have to admit that I questioned them thoroughly about their confidence in this new number, because I don't want to put the state in the hole. I want to make sure that what we're doing is, in fact, affordable and reliable. So what I'm hoping that you will do today is accept the committee amendment to complete the intent of the bill, which is to be revenue neutral, and then it would be my intent, if we move the bill on, to let it sit for awhile until we get through the tax season, April 15 is the deadline, and compare the data as we go and ensure that, in fact, we are at the figure that we need to be. So it's good news. I think that it allows us to provide more property tax relief than we had hoped, and that is usually the intent of the Legislature, as we hear from our constituents and their concern about the burden of the property taxes on their budgets, month by month. So I would ask that you adopt the committee amendment. And no matter how you feel about the bill, the purpose of the bill is to be revenue neutral and we should at least put it in the form where it is intended before we take a vote, up or down, on the bill. So again, the property tax relief in the homestead exemption under the amendment that's before you would be \$8,250, which increases it from the green copy of the bill. It amends the committee amendment and will correct all of the calculations that we need to do to be revenue neutral. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Redfield. Open for discussion on AM0711 to the committee amendments to LB 44. Senator Smith, followed by Senators Landis, Stuthman, Chambers, and Redfield. Senator Smith.

SENATOR SMITH: Thank you, Mr. President and members. I've been

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trying to sift through the numbers of this issue and I realize that it's basically a shift. And I think that we need to be mindful of the unintended consequences of how an issue such as this would play out with the general public. I believe that the mortgage deduction that we get mostly from the federal level, but certainly a piece of from the state level, is probably the best economic development tool that our tax policy can afford the citizens of the state of Nebraska. And, to cut right to the chase, I have grave reservations over taking part of that away. Even though it would be a small part of that tax burden or tax advantage, it would be a small part, I am afraid that we would have a headline that would read: Legislature removes mortgage tax deduction. Now, it doesn't specify in the headline what...you know, that it's a small part of that because it's the state portion instead of the federal portion, but I believe that that impact of such coverage, while it would not be intended, I think could have a very negative impact on the economy of the state, and especially when we're looking at an even trade in dollars. We're basically taking a targeted tax break of our current policy and we're going to spread that out over a property tax exemption. Now, the other part is we need to be very careful when we promise property tax relief, and it's really not going to be that much. When you look at the whole scheme of things, even the \$8,000 exemption, I think, has very little impact or at least less impact than we would have with the ability for those folks to deduct their mortgage interest from their state income tax. Back to the deduction of mortgage interest being the best economic development tool we can have, I say that because when someone refinances their house and they have tax reasons for doing so, that's great for the economy. Not only does it make the mortgage broker a commission, but it takes equity out of a house, and typically that equity is leveraged back into the economy through an investment in other real estate perhaps, through an investment with whatever financial tool a Nebraskan would choose to use. But equity in a house does very little for our economy. Taking that equity out, and there's incentives to do so, I don't want to take those incentives away. And I believe that we, if we're going to do property tax relief, it needs to be more significant and it doesn't need to be in place of a very, very, very valuable tool to our economy, even though it's small. Even though it is

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small, that being the state portion of the mortgage tax deduction, it's small but it has great leverage and I think serves the state of Nebraska...

SENATOR CUDABACK: One minute.

SENATOR SMITH: ...and ultimately the revenues of the state of Nebraska well. And for that reason I am not looking favorably on LB 44, but I will continue to listen to the debate. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Smith. Senator Landis. Senator Landis, you're recognized to speak. You may.

SENATOR LANDIS: Senator Cudaback, members of the Legislature, if you look at the committee statement, you'll see that I'm a yes vote on this bill. I think one of the recurring themes in Nebraska politics is property tax relief, and we don't have, from our other tax bases and our revenue generating machinery at the moment money to do property tax relief. Don't have it. Can't do it. Don't see the foreseeable time in the next couple of years when we can. We don't have those resources unless we divert them from someplace else and at this point in the budgeting process I don't see it. So, rather than reduce aid to community colleges or schools or the university and turn it into property tax relief, Senator Redfield gives us this alternative. We have an income tax break. It is not the driving income tax break. The reason that people buy homes is not because they get a state income tax break. They don't sit around getting out their state tax form and saying, is it time to buy a house for the family or not? They don't. They know they're going to get a significant federal income tax break and so, if there is a tax reason to buy a house that motivates them into the marketplace, the federal government's tax break did it. What Senator Redfield says is, look, there's a tax break. We've been giving it. It's a piggyback onto the already effective federal tax break. Why don't we take that tax forgiveness, if you will, and turn that into a different kind of tax forgiveness for people on property taxes because that is the one that in this state is more out of balance than the income tax? The income tax is highly progressive in this state. The income tax is certainly

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effective, but, at the same time, it is not relied upon as much as the property tax. If we're out of balance, it's in the property tax base, and people complain about it all the time. Don't pick winners or losers. Don't make it geographical. Don't pick it rural versus urban. Just give it to everybody. Build from the base up. Build from the first dollar of property taxes and give it in a relief as a homestead exemption for everybody, not on the basis of status, not on the basis of age, not on the basis of injury, but on the basis of being a taxpayer. We do not have the resources for property tax relief. We have a crying desire for property tax relief. We have an income tax break that does not achieve...or I don't think is the motivation for its existence, which is to move people into the property tax profile, if you will, and this is our chance to do something this year. For those of you who cry about property taxes, and there we are legion...I say we are legion because I do the same...this is your only realistic opportunity to do anything this year about property taxes. When you stand up, speak against the bill, vote against the bill, I understand completely that is the power of inertia. That's the power of, well, it's always been this way, we've never done it that way, which is a powerful voice in politics. People have a break right now and they're clinging to it. They don't want to have it opened up and passed around to somebody else. Understand, this isn't a general tax raise. This isn't an appropriation. This is closing one tax break so you can give another. And the people who are now getting the tax break, of course they don't want to give it up, but the rationale for that tax break,...

SENATOR CUDABACK: One minute,

SENATOR LANDIS: ...which is an income tax break, was already met by the federal government, and it's property tax relief that is the crying need in the state of Nebraska. There is no other way to give property tax relief this year to Nebraskans than this bill, and if you want to do it, you vote for this bill. If you want to protect the income tax as it currently exists, vote against it. That's fine. It's one tax break for another. This isn't...you know, this isn't morally superior versus morally inferior positions. This isn't achieving right versus wrong. This is taking from Peter to give to a couple...well, taking

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from one Peter and giving it to two Pauls, if you will, because there are more property taxpayers than there are people that are buying houses. But they're both tax breaks. They're both variations from standard tax policy for everybody. It's just, in my estimation, that property tax relief is more crying of an agenda than income tax breaks where the federal government...

SENATOR CUDABACK: Time.

SENATOR LANDIS: ...doubles that same area and achieves the social purpose intended.

SENATOR CUDABACK: Thank you, Senator Landis. Senator Stuthman, followed by Senator Chambers and others.

SENATOR STUTHMAN: Thank you, Mr. Speaker and members of the body. I will agree with the comments just given, you know. The majority of the people, you know, want property tax relief. Realistically, what is property tax? How is it assessed and who is the ones that utilizes the taxes from property tax? Counties are the ones that assess the property tax. Counties are the ones, and the schools, that utilize the taxes that are generated from the tax assessment on the property. The state realistically has nothing to do with the local property tax, except for the things that are mandated by the state. How do we, as a state body, you know, give a property tax relief? In my opinion, the only way that we can give a property tax relief is by supplementing something to the counties, the state paying for some programs, taking care of that, paying for mandates that are legislated. This is the only way that we can give a property tax relief. I have a real concern. The statements have been made, you know, that everyone is going to be able to get a property tax relief. Right now, I would like to engage in just a little conversation with Senator Redfield, if she would be willing.

SENATOR CUDABACK: Senator Redfield, would you yield?

SENATOR REDFIELD: Yes, I would.

SENATOR STUTHMAN: Thank you. Presently, we have the counties'

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assessors. If individuals have...if they're over 65 years old and they have an income of less than 25,450 dollars, their \$69,000 home is totally exempt. Is this correct?

SENATOR REDFIELD: If they qualify with low income, yes, it is.

SENATOR STUTHMAN: So this would not benefit them one bit.

SENATOR REDFIELD: They wouldn't need any more tax relief if they have 100 percent tax relief right now. So this would...

SENATOR STUTHMAN: Okay.

SENATOR REDFIELD: Excuse me.

SENATOR STUTHMAN: Go ahead.

SENATOR REDFIELD: If someone was over the income level but over 65 years old and could not qualify under our current homestead exemption, they would be able to qualify for this. Or, if they were low income and did not...but still could not qualify under the current system because the value of their house has increased over the median in their county, this would allow them to qualify for some tax relief that they can't get right now.

SENATOR STUTHMAN: Okay. So, in other words, if their house is \$169,000 and they get a \$69,000 exemption and have to pay taxes on their \$100,000, they would get an additional \$6,000 of tax exemption. Is this correct?

SENATOR REDFIELD: Senator, the way you calculate whether you qualify, your home qualifies, is you look at the median or average home value in your county, and in most counties \$169,000 house would not receive any homestead exemption because it would exceed the level of that median. But if, in fact, you were in a county where the values were extremely high and you would qualify, then you could choose which one would benefit you the most.

SENATOR STUTHMAN: I don't think this is...this...I don't think her comments are totally correct because \$69,000 is the median

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value of the home that they are tax-exempt. If their house is worth \$169,000 and they qualify under the income and they're over 65 and they are a couple, the first \$69,000 of that \$100,000 is tax-exempt. They pay taxes on the next \$100,000 of value. So this is a question I have--are we going to give them another \$6,000...

SENATOR CUDABACK: One minute.

SENATOR STUTHMAN: ...of exempt on that, or how is this all going to work?

SENATOR REDFIELD: Senator, they could only do one or the other; they could not have it on top of other homestead exemption relief.

SENATOR STUTHMAN: So that would not benefit any of those that are in that category right now.

SENATOR REDFIELD: Well, Senator, I would still go back to I don't believe the homestead exemption works exactly as you believe it does there because if they exceed the level in their county then they would not be eligible for that. But that's my understanding. We could actually check with counsel on that. So they would be able to claim one homestead exemption, but not two.

SENATOR STUTHMAN: Okay. So they will be able to only claim that one exemption, which would be their original low-income, over 65 homestead exemption then. So, okay, I will continue that when I have some more time. I'll give the balance of my seconds back to the Chair.

SENATOR CUDABACK: Thank you, Senator Stuthman. Senator Chambers.

SENATOR CHAMBERS: Mr. President, members of the Legislature, I had talked to Senator Redfield about this bill earlier and had expressed no opposition to it. I have received letters and heard comments from people who feel that the bill treats them unfairly. My mind has to remain open. I'm going to listen to

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the debate and, at this moment, I cannot say now I'm exactly sure how I will vote on the bill. I understand what Senator Redfield is attempting to do and, on the other hand, the letters and the comments that have been addressed to me by others who will not be able to deduct their mortgage payments from their income tax have an argument that I have to give some consideration to also. Since my comments are brief on that subject, I hate to stand up and say so few words, so I've got to send a message to you-all's Governor. I used to have a good relationship with him, I thought. I read a comment in the paper attributed to Senator Schimek which was that if the Governor vetoes that bill that would allow ex-felons to vote, it would not damage his relationship with the Legislature. Louis the XIV, the Sun King, the Great, said l'etat, c'est moi. I don't know how to say Legislature in French. Le Legislature, c'est moi. And Louis meant I am the state. I am the Legislature. I want the Governor to know that, I want him to understand that. And my colleagues, who may allow the Governor to bully them, need to realize that I'm the one you have to live with, not the Governor. The Governor, after getting you, if he can, to turn tail, is not going to be there for you on your little old bill which you might need his support on. That bill should easily override a veto by the Governor. I don't believe in waiting till after the fact to make comments which, if made before the fact, might prevent that fact from occurring. He will waste a veto. He will exhaust what little goodwill he may have in the Legislature. You all are one house of the Legislature; I am the Legislature. You're a component part, an important component, but you are not the Legislature. You know why I say that? Because the Governor will not treat the Legislature in the way he intends to do. He is not aware yet that I'm the Legislature, so I have to teach him. You all just happen to have been caught in a crossfire. Much work was done on that bill. Many senators, especially young Senator Flood, made very profound comments in support of that bill. I don't know who's advising the Governor. I don't know whether it's his chief of staff, who may not be around forever. But the Governor is a political animal. He's going to want to run for another office. He's going to have to boast about what he got done through this Legislature. If he shows himself to be petty and vindictive, as he has on one occasion dealing with me directly,

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I will understand that and I know how to play hardball. And if he wants to hit below the belt, I know how to do that also. But I don't have to resort to that, that I may make him wish...

SENATOR CUDABACK: One minute.

SENATOR CHAMBERS: ...that I had simply resorted to something like that. This issue is so important with me that I'm discussing it at this point, and the Governor, if he wants to, can go get out his little veto pen right now and try to teach me a lesson, and he may be able to frighten and intimidate enough of my colleagues to cut and run from something that you took a very principled position on, but I doubt that he can do that. I just wanted that as a matter of record, Mr. President, because we never know when the grim reaper might come to harvest us, and I wanted to get that on the record in case I should be harvested (laughter) without warning. Thank you.

SENATOR CUDABACK: Thank you, Senator Chambers. On with discussion of the Redfield amendment, AM0711. Senator Redfield.

SENATOR REDFIELD: LB 44. Senator Smith, I would agree with you about stimulating our economy if, in fact, we did not have the document before us just this morning that was reported that consumer debt increased in the month of January at an annual rate of 6.6 percent, and that doesn't even include mortgage or home equity debt. And when you put that into the factor, the United States' citizens today have added \$7 trillion in personal debt. Americans are not reluctant to borrow. I don't think we have to worry about whether they'll borrow tomorrow. The price of a home, looking at the price of a home, I can tell you that in states where there is a homestead exemption or states that have lower property tax burdens, that in fact it is possible for people to purchase homes that have greater value than they do here. My daughter just purchased a home in Charleston, South Carolina, and as a result of the homestead exemption there she could spend \$15,000 more on the price of the home. Now, I think that's a stimulus to the economy and I would hope that down the years, as the Legislature has more money, that they could funnel more property tax relief so that in fact we could see that kind of stimulus, because, in fact, her monthly payment would be the

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same for much less house, but at the end of her loan she wouldn't have the value that she will today. She is building wealth, and that's the main benefit of purchasing a home. I would also agree with Senator Smith if, in fact, the homestead...or the home mortgage interest deduction was claimed universally. But we have the data from the Department of Revenue showing that, in fact, in 2001, 23.4 percent of the filers actually use this. The department tells me that by year six or seven of your loan, people are moving to the standard deduction because it benefits them. It's not only simpler, but it actually benefits them. Why? Because, in fact, this is not a refundable credit. If you don't have an income tax liability, you lose part of the benefit of this kind of a deduction. So it is not being universally used by the people in Nebraska, and I am looking for a way to bring the most benefit in tax relief to the most people. You say it's only a few hundred dollars. Well, in Senator Burling's district, Kenesaw, that with this amendment would be 12.5 percent of their property tax bill. In Senator Combs' district, Fairbury, it would be 20.5 percent of their property tax bill; in Senator Connealy's district, Winnebago, where they struggle, 36.6 percent of their property tax bill. That is significant tax relief to people who are looking from month to month whether they can, in fact, make all of the payments that they face in the mailbox. So we're looking for some kind of universal relief. I have distributed to you a comparison of what it would look like on some loans today, because people said, well, okay, we've been looking at the median home in Dakota City, or we've been looking in Emerson; what's it look like on a \$100,000 house or a \$125,000 house? And that's what you have before you. At the top you see with a 30-year loan on that \$100,000 house, with a standard down payment, you see that the tax savings we currently give with an income tax deduction is \$162 the first year. The \$8,250 homestead exemption is \$182.

SENATOR CUDABACK: One minute.

SENATOR REDFIELD: So actually, in that comparison, they come out in year one better with the proposal that is before you today. By year 15, halfway through their loan, with a 30-year loan, their tax savings on an income tax deduction is only \$118.

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Follow it across to the far right column, \$118, but the homestead exemption would remain where it is, or it even has the potential to increase, depending on the levy. If the levy goes up with a bond issue or an override or legislative action on state aid, they could actually come out better than they do under the proposal today. But I hope that you're looking at the comparison up there. On the left-hand column of that sheet, I show you the total interest paid on a 30-year loan is \$88,000. If you had a 30-year loan and you decided to...

SENATOR CUDABACK: Time, Senator Redfield.

SENATOR REDFIELD: Thank you.

SENATOR CUDABACK: Thank you. Senator Hudkins, followed by Senator Heidemann and five others.

SENATOR HUDKINS: Thank you, Mr. President and members. I would like to ask Senator Redfield a question.

SENATOR CUDABACK: Senator Redfield, would you yield to a question?

SENATOR REDFIELD: Yes, I would. Thank you.

SENATOR HUDKINS: Senator Redfield, give me a Reader's Digest two-liner of what this...let me say what I think it does and then you tell me if I'm right. So everyone would now automatically, if they filed for it, receive a homestead exemption of \$6,000?

SENATOR REDFIELD: With the amendment, \$8,250.

SENATOR HUDKINS: Okay. And so they would...they would not have to pay the full value on their home in taxes, right?

SENATOR REDFIELD: That's correct.

SENATOR HUDKINS: Okay. Except...thank you. I don't think that I can support this bill. There are those in this state who pay considerably more than the \$6,000 in mortgage interest, and if

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you are one of those then this has actually been a tax increase for you. I've received three e-mails and I'll just pull out some points of one of those. And, Senator Redfield, if I have any time left, I'll let you have it to respond: The above bill is a huge tax increase and a blow to affordable housing. This increase will not be offset by a token homestead exemption. Affordable housing in Lincoln has already been hit with a major blow with the creation of an impact fee. The overall home value has jumped by 5 percent in one year due to this increase, and will soon be reflected in our individual tax bases. Another letter says: I would ask that you address this tax problem in a different way. Changing the Nebraska income tax to no longer afford...allow a deduction for mortgage interest, as is presently done, is an income tax increase of \$64 million, plus, over the next two years. It shifts the burden to the new home buyer. The state does get more money, however. And then the third one: As a new homeowner, I am strongly opposed to LB 44. We purchased a home last May and have already paid approximately \$6,000 in interest and pay over \$1,200 a month for a mortgage payment. When we went to file our taxes, we found out we had to pay into the government because we didn't have enough to deduct. And that's what I'm saying. If you can use this mortgage interest as an expense, then you can already take that off your income. So, Senator Redfield, if you'd like to respond to any of that.

SENATOR CUDABACK: Thank you, Senator.

SENATOR REDFIELD: Senator Hudkins, you actually have explained very well why the standard deduction works for more...or, actually, more tax relief for a lot of our citizens, because if they're not high enough income or they don't have enough other items, they are not allowed to itemize and therefore the tax relief that we currently give benefits them not at all. And so this would allow them to get some tax relief when they're not able to itemize, or when, in fact, they don't have enough tax liability on the income tax side to actually be able to offset the credit. So you actually have illustrated for us some situations where it would be very helpful to people, because they would continue to get the relief in the standard deduction on the short form at the same time that they could receive the

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property tax deduction. I, again, would point you to the handout that's here. I don't know what the price of the home that this couple purchased, but here you see that if they purchased \$100,000 house, under this scenario they actually come out ahead with a \$8,250...

SENATOR CUDABACK: One minute.

SENATOR REDFIELD: ...homestead exemption.

SENATOR CUDABACK: Senator Hudkins.

SENATOR HUDKINS: Yes, thank you. And that goes back to my point. Perhaps if you live in town, it's going to work. If you live in an agricultural community, I don't believe it's going to work. So thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Hudkins. Senator Heidemann.

SENATOR HEIDEMANN: Thank you, Senator Cudaback. I hear property tax relief and I jump out of my chair and it definitely gets my attention. And I can't say right now exactly that I'm opposed to the bill, I can't say I'm for it, but I do have questions on it. At first, it did get my attention. We talk about property tax relief. Then I started getting calls in from the district. There were some constituents that had some serious questions with it. I think I heard from every assessor in my district and it definitely has got them up in alarm a little bit. I've been told...and I think this is something that we need to kind of look at and maybe think about a little bit, too, what it will do to the county assessors. I've been told that their workload on homestead exemptions will be times five. I've been told that just to get...to mail out the notifications, and I would have to think this would be probably an average sized county in the state of Nebraska, it will cost them \$1,200 to mail out...in postage to mail out the notifications. I do believe there's going to be expense, time, and effort on the county...on the county side that I don't believe has been recognized in the fiscal note. I do believe we have to look at that. They have conveyed to me they thought it was going to be

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a logistical nightmare. I don't know if we can take it that far, but I do believe that it will take some time and effort and money on the county's side to make this work. I have a couple questions I would like to ask Senator Redfield, if she would yield. What base year did the Department of Revenue base their...

SENATOR CUDABACK: Senator Redfield.

SENATOR HEIDEMANN: ...calculations off of?

SENATOR REDFIELD: The \$8,250, or the original bill?

SENATOR HEIDEMANN: The original bill.

SENATOR REDFIELD: The original bill, I believe, was based on 2003, and the amendment is based on 2000 and...no, reversed, 2002 and then 2003. That's my understanding.

SENATOR HEIDEMANN: I like revenue neutral, definitely. That makes it look good for me. What happens, and as we see interest rates creep up, and that's the direction they seem to be going, this interest rate deduction would bring more revenue in for the state of Nebraska. What happens in the years that as the interest rates keep creeping up? Is there going to have to be an adjustment or...I mean, this will be revenue enhancement for the state of Nebraska, won't it be?

SENATOR REDFIELD: Well, Senator, I won't be here after two years, but my hope is that the Legislature would continue to adjust it and increase the benefit to the citizens of Nebraska. I think the pressure is there for property tax relief and everyone would have the opportunity, as they adjust it up, to be a hero. I will tell you, though, if interest rates increase significantly, you will find that people will not be refinancing. They will lock in at the low rates that they are today, and so you would find actually less tax relief in the future with the current deduction, because only the people purchasing their first house would actually have those new loans. But existing loans would not be refinanced, as you're seeing today and as Senator Smith was talking about.

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SENATOR HEIDEMANN: I understand that part, but it would affect all the new homes built, the people buying them. The one other question I had, you're saying not everybody is taking advantage of the interest mortgage deduction right now. Was the fiscal note figured on the people that are taking advantage of it now, or the people that could take advantage of it?

SENATOR REDFIELD: The people that are taking advantage of it.

SENATOR HEIDEMANN: So, in reality, if more people...

SENATOR CUDABACK: One minute.

SENATOR HEIDEMANN: ...if more people would take...would have took advantage of it, that would change the figures.

SENATOR REDFIELD: Yes.

SENATOR HEIDEMANN: That's...that, to me, makes me a little bit nervous right there, too. But that was just some questions I had. I'm listening to the debate and may take part in more of it. But, with that, I'll turn the rest of my time back to the Chair.

SENATOR CUDABACK: Thank you, Senator Heidemann. Senator Connealy. I'm sorry, Mr. Clerk, do you have items for the record first?

CLERK: I do, Mr. President. I have a series of things. Mr. President, the Executive Board has reported LR 12CA to General File with committee amendments attached. Urban Affairs Committee has reported LB 518, LB 629, LB 651 as indefinitely postponed. Enrollment and Review reports LB 342, LB 640, LB 291, LB 406, LB 241, LB 97, LB 451, LB 525, LB 201, LB 647, LB 676, LB 528 to Select File, some of those having Enrollment and Review amendments attached. Reference report referring certain gubernatorial appointees to standing committee for confirmation hearing. Priority designation: Executive Board has selected LR 12CA as one of its two priority bills...resolutions.

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Mr. President, a communication from the Governor. (Read re: LB 1, LB 2, LB 3, LB 11, LB 15, LB 16, LB 17, LB 18, LB 20, LB 21, LB 33, LB 37, LB 51, LB 52, LB 54, LB 59, LB 61, LB 80, LB 83, LB 88, LB 89, LB 118, LB 119, LB 162, LB 175, LB 176, LB 216, LB 261, LB 263, LB 283, LB 301, LB 329, LB 383.) A second communication. (Read re LB 53.)

Mr. President, an announcement that the Urban Affairs Committee will meet at 10:30 in Room 2022. That's all that I had, Mr. President. Thank you. (Legislative Journal pages 785-788.)

SENATOR CUDABACK: Thank you, Mr. Clerk. On with discussion. Senator Connealy.

SENATOR CONNEALY: Thank you, Mr. President, members. I think...I want to recognize that I think that Senator Redfield and, as articulated by our Chairman of the Revenue Committee, Senator Landis, they want to do something good, they want to do something positive, and I think that a homestead exemption for everyone is a positive. But what we're doing here is we're also doing a negative at the same time, and so it's a balancing act. It's a balance between whether the good or the positive that you get from this broad-based homestead exemption is outweighed to the negative that you get with the discouragement of buying homes, of refinancing and all that, because of the fact that it can't be discounted. If you say, well, the majority of it comes from a federal deduction, and that's true, but if this is a positive, if this moves money, which it does, it has to come from someplace. And so that money is an encouragement for the industry that really has been one of the hallmarks of our economy over the last couple cycles. It has kept the state going. It's probably not as strong in my district as it would be in Senator Kopplin's district or some other place that has a lot of growth, but it does affect industry in Nebraska. It affects how we grow. And I don't think that the trade-off between the positive of the broad-based homestead exemption for that part of the property tax is big enough to take the negative out of the stimulation that we get from the homebuilding and the refinancing and all that of this state. And so I rise in opposition to the amendment and I'll be in opposition to LB 44,

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as I was in the committee. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Connealy. Senator Louden, followed by Senator Smith and others.

SENATOR LOUDEN: Thank you, Mr. President and members of the body. As I listen to the debate and as I've read this bill here, there's maybe this is going to help somebody, maybe it isn't; and maybe it's tax neutral, and maybe it isn't. And what will it do in the future if the interest rates change? There's so many variables here that I question it, because I think, as Senator Heidemann had put out, the county assessors are going to have to do a lot more bookwork in order to get everybody to ask to file for an exemption, and then after they do file then it's up to the county assessors to subsequently see that they're still eligible for their homestead exemption and what they're doing. So I would like to ask Senator Redfield some questions, if I may.

SENATOR CUDABACK: Senator Redfield, would you yield to a question?

SENATOR REDFIELD: Yes.

SENATOR LOUDEN: Senator Redfield, on rural farm and ranch homesteads, at the present time they're valued separately from the rest of the farm and ranch land there. How will this affect our homestead exemptions on farm and ranch? Do you...if there's large mortgages on a ranch or farm, do you prorate that out for the farmstead and then deduct that, and then you won't be able to deduct the interest from that amount that's prorated out towards that farmstead?

SENATOR REDFIELD: Senator, if your farm has one loan which incorporates all of the land and the buildings thereon, that would remain deductible as a business expense under your farm, but you would not qualify for the homestead exemption for the building because you've claimed that deduction. And so you've made it, in essence, commercial property or ag property. If, in fact, you had a homestead on the property that was grandfather's house and it was totally paid for, and you had no loan on that,

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you could separate that out from the farm and you could receive the homestead exemption on that. At the same time, you would continue to have the deductible expenses for the farm property as well.

SENATOR LOUDEN: Are you quite sure on that? Because as we have our farm and "ranchsteads" on these operations, they're figured like residential property and you pay your taxes accordingly. But when you go down to the bank, why, the whole thing is mortgaged together. I would question where this is going to come out. I think at the present time you can get homestead exemption on your house that's on a farmstead. Are you quite sure that your information is correct?

SENATOR REDFIELD: I can double-check on that for you, Senator, but it would be my assumption that if the loan on the house is merged into the ag land, that it would actually be a business expense. So I think it would have to be separate, but I could double-check on that for you.

SENATOR LOUDEN: Okay.

SENATOR REDFIELD: Are you familiar with how it would work if you are over 65 and had a homestead exemption under the current program?

SENATOR LOUDEN: You can get a homestead exemption now if you fall in the right categories for income and over 65 and that sort of thing. I'm not completely familiar with it. I think Senator Stuthman mentioned it awhile ago. I think he's quite familiar with it and I kind of go with the figures that he put out on it. One other question I have for you. By taking some of these homestead exemptions then off of these farmsteads, because when you do this then everyone can take this homestead exemption, how does that affect your school and your county funding, your mill levies? Because they will be property that will be...would it be coming off the tax rolls or how will that be adjusted? Will it affect...

SENATOR CUDABACK: One minute.

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SENATOR LOUDEN: ...the levy on our schools?

SENATOR REDFIELD: That's a great question. The way the homestead exemption currently works in the existing program would be identical. The state pays the taxes on that first \$8,250 to all of the local entities. They would distribute it to the county treasurer and they would then distribute it to the schools, the cities, the NRDs, and all of those, fire districts and everyone else that has a share. So there is no loss to the local governmental entities. The taxes are paid.

SENATOR LOUDEN: Now that will be \$8,200 no matter what the tax levy is?

SENATOR REDFIELD: The full value of the tax levy would be paid on the portion, the \$8,250 worth of value of that property.

SENATOR LOUDEN: Okay.

SENATOR REDFIELD: So they would be made whole. They would receive the full tax value no matter what the levy was.

SENATOR LOUDEN: Okay. Thank you, Senator Redfield. I'll continue to listen to the debate there. I have quite some reservations about this bill, but...

SENATOR CUDABACK: Time, Senator Louden.

SENATOR LOUDEN: Thank you.

SENATOR CUDABACK: Thank you, Senator Louden. Senator Smith, followed by Senator Stuthman. Senator Smith.

SENATOR SMITH: Thank you, Mr. President and members. Would Senator Redfield yield to some questions?

SENATOR CUDABACK: Senator Redfield, would you yield?

SENATOR REDFIELD: Yes.

SENATOR SMITH: Senator Redfield, this would only apply to

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primary residences. Is that correct?

SENATOR REDFIELD: Yes.

SENATOR SMITH: So...

SENATOR REDFIELD: Yes, that's true.

SENATOR SMITH: ...no...

SENATOR REDFIELD: Not for vacation homes or rentals.

SENATOR SMITH: ...no vacation homes, no rentals.

SENATOR REDFIELD: Correct.

SENATOR SMITH: If someone owned a multifamily dwelling, sixplex or maybe even a duplex, but lived in one of those units, how would those folks be treated?

SENATOR REDFIELD: That's an excellent question. Since this only would apply to your primary residence, you would have to calculate the value of that portion.

SENATOR SMITH: Okay. That's fair. Now, to figure that out, the property owner would have to go file for that, whether it's a single family residence or a multifamily residence. Is that correct?

SENATOR REDFIELD: Excuse me. Could you say that again? I (inaudible).

SENATOR SMITH: You would have to go file that. Each individual property owner would have to go file with the assessor's office.

SENATOR REDFIELD: The first year.

SENATOR SMITH: Is that correct?

SENATOR REDFIELD: The first year...

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SENATOR SMITH: (Inaudible).

SENATOR REDFIELD: ...only they would have to verify that they, in fact, were living in it, that they weren't using that as a rental.

SENATOR SMITH: So, in year one, we're literally going to have thousands of filers throughout the year, but probably more so around April and October. Is that a fair assessment?

SENATOR REDFIELD: I would imagine, yes, that's true.

SENATOR SMITH: Okay. And you mentioned that 23 percent of filers in Nebraska actually use the mortgage interest deduction. What percent of filers then would qualify who didn't use it, or what percentage of filers even have a mortgage?

SENATOR REDFIELD: Well, I can't give you an exact figure, but I know that home ownership in Nebraska is extremely high and so anyone that does own their home and does not rent would be eligible. We are finding even in metropolitan areas, where people like the convenience and the ease of apartment living, they're purchasing condos, so they're still homeowners even though they might be living on a flat in an apartment building.

SENATOR SMITH: Okay. Now you...I think you pointed out to some other colleagues that...I think you insinuated that one of our colleagues, their district, on average, would receive about 30 percent property tax relief. Is that...did I hear you correctly in saying that?

SENATOR REDFIELD: I was quoting Winnebago, based on their median house value in the U.S. Census data, and I did have that for everyone's district. I tried to get it out to everyone.

SENATOR SMITH: Now does that reflect...did that 30 percent reflect the number who already qualify for homestead exemption at some percentage, maybe even 100 percent?

SENATOR REDFIELD: I can't tell you how many people who are over 65 that currently qualify.

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SENATOR SMITH: No, but did that number reflect any of those numbers of exempt individuals currently?

SENATOR REDFIELD: That number was based, I've said, at 36 percent of the value of the median home there. Not 36 percent of the people; 36 percent of the property value on a median home in Winnebago.

SENATOR SMITH: Right. Okay. And thank you for your responses. I want to emphasize that there are a lot of numbers being tossed about here, but to call this broad-based tax relief, I really can't agree with that. And, number one, if you exempt or you disqualify agriculture, for example, that is probably where most of the criticism for property tax comes about. Property tax is an unrealized capital gains tax and ag producers and farmland owners are upset, I believe justifiably, because their assets, their capital, for example,...

SENATOR CUDABACK: One minute.

SENATOR SMITH: ...is taxed far differently than, say, the capital of a bank owner. Now that's where a lot of the unfairness of our property tax policy comes about, but yet this does not address any of that. I have...I have reservations there, and I have reservations because...because I did start to believe that this was a lot broader-based tax relief than I believe it truly is now, because by the time you disqualify all these folks from receiving benefits outlined in LB 44, there aren't so many folks left. And so it's not as broad-based as one would think, to begin with. Credit card debt, I know that you mentioned consumer debt, I believe it's an issue. Mortgage interest deductions are a great way...

SENATOR CUDABACK: Time,...

SENATOR SMITH: ...to address...

SENATOR CUDABACK: ...Senator Smith.

SENATOR SMITH: Time?

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SENATOR CUDABACK: Yes.

SENATOR SMITH: Thank you, Mr. President.

SENATOR CUDABACK: Senator Stuthman, followed by Senator Redfield.

SENATOR STUTHMAN: Thank you, Mr. President, members of the body. I've been listening to the discussion and I get more confused as I continue to listen. In some of the statements, you know, the people are going to automatically get a homestead exemption. No one is automatically going to get a homestead exemption. You have to file for this homestead exemption. The counties' assessors are going to have to...have to do this filing, get it on their books as to what it is. They're going to have to calculate how many dollars of homestead exemptions that they are allowing. That's going to be taken off of their total valuation of the county. For that one year when it's not going to be reimbursed by the state, that year they're going to have to increase valuations somewhere because property tax dollars, you know, are not going to be cut to organizations because they're going to have less value to assess the levy to. So that really does concern me. Also, in farming operations in rural Nebraska, you know, the home is part of the operation, part of the business. We would see no benefit from this, but it could happen. You could take your house, your one acre, off of your assessment; put it just in your individual name. Your...the rest of the farm could be in your business name. It could be done, but that's another burden upon the assessors to get it into two parcels. So that's going to take some more labor for us there also. Another thing that really concerns me is, you know, this is going to be revenue neutral. When I hear the word "neutral," that means it's not going to cost the state anything. It's not going to cost the county anything. What it's realistically going to do, in my opinion, is, as Senator Redfield stated, there's only 23 percent of the people that itemize their deductions on their tax statements. Where's the money going to come for the state to reimburse the subdivisions because of this homestead exemption? Those dollars are going to come from those 23 percent of the people that itemize their

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deductions and are not able to itemize them again. So that...those are the ones that are going to be paying a bigger bill. That's the concern that I have. You know, Senator Heidemann mentioned, you know, additional costs to the county. If a county is going to have to mail all these valuation notices out and it's \$1,000, where does that \$1,000 come from? It comes from the assessor's budget. Where does the assessor's budget come from? Property tax. So let's look at the big picture. You know, this is not a property tax relief. It's a shift, is what it is. That is some of the concerns that I have. You know, we're not really solving anything. If, like Senator Redfield stated, you know, if you have the grandfather's house on your property and that could be exempt, that's only if the individual lived in that home. You must own and occupy the residence to get a tax exempt, is what you have to do. So with that, those are the comments that I have for right now, and I'm really concerned about this. We look at it, and it's going to cost the state \$100,000 to administer that. Where's that \$100,000 going to come from? It's going to come out of somebody's pocket to do it. It's not going to come out of the trees or from the birds. It's going to come from taxpayers. And that's an expense...

SENATOR CUDABACK: One minute.

SENATOR STUTHMAN: ...that realistically it's not going to have any benefit for. And if the counties are going to have an additional expense to administer this program for tax relief, that's going to take more money. So I think, looking at the big picture, I think we're creating additional problems and we're not solving anything, because any time you add one more procedure to anything, it costs money, and I think that's what we're doing. Thank you.

SENATOR CUDABACK: Thank you, Senator Stuthman. Senator Redfield, and this will be your third time, Senator.

SENATOR REDFIELD: Thank you, Senator Cudaback. We have provided property tax relief to people who are over 65 and low income, and it was truly a tax shift. It's about \$35 million, or perhaps more, and somebody else paid higher taxes, income and

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sales, so that they could have that relief. But we felt, in Nebraska, that that was a worthwhile program and we did it. At the same time, we have young couples, middle-aged couples that are low income, struggling in the same size house, but no property tax relief, and I'm looking for a way to provide that. I draw you back again to the handout. I want you to pay attention. People with the same income, people living in the same house, the same value, depending on how they financed it, whether it was a 15-year loan or a 30-year loan or they paid some extra payments, there is a difference in the tax savings that they get under the current system. We are not treating them alike, even though their circumstances are identical. The only difference was the way they chose to finance their purchase. So actually, the system we have now only rewards borrowing, and unless you can guarantee that you can keep your loan value above \$100,000 a year for the rest of your life, you're not going to gain with the current system. The current system will reward you if you keep your loan value over \$100,000 for the rest of your life. But if you don't, this proposal that is before you will give a benefit. The difference in what we're proposing here is that benefit that is lost, the income tax deduction, is taken away from people who have the opportunity of receiving a benefit as opposed to many of the tax shifts which we have seen in the state where we said, let's give relief to farmers, and let's say 80 percent is good, and the rest of the people in Nebraska were willing to pick up a bigger share so that they could provide that relief. They didn't get any benefit from it, but they thought it was the right thing to do. So if you think that you want to keep providing a benefit to people who keep loans deliberately above \$100,000, year, after year, after year, then we should stay with the current system. But if you think that we could give relief to everybody and it would be good if they actually saved the interest over the life of that loan by doing a 15-year loan or paying some extra payments, then I hope you consider this, because I think it's a choice. We could do nothing. We could do nothing, and we could continue to listen to the cries and the complaints of people about property taxes, but we will have to admit that we had a chance to do something. The amendment is \$8,250. That's better than what's in the bill. I hope you'll at least adopt the amendment. Thank you, Senator Cudaback.

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SENATOR CUDABACK: Thank you, Senator Redfield. Senator Wehrbein, on AM0711.

SENATOR WEHRBEIN: Mr. President, members of the body, I'm going to restate some things and, Senator Redfield, then I'll give you the rest of my time, to see if I have it accurately understood. It appears to me, the 23 percent, it's going to say about a fourth of the people are going...in higher income brackets in general, not altogether but generally, going by your chart...are going to pay more in income tax so that all homeowners will pay some less in property tax. Now that's the way I analyze it. So, to me, I guess either the policy or the philosophy is going to be, are we willing to make that shift? Will the public accept that shift of paying? In those cases, the 25 percent will probably pay more in income tax. That additional income tax will then be sent to the General Fund, which will come back in the form of a subsidy to county property owners, homeowners. And I guess that's the decision I'm struggling with, as to whether it's worth it and whether it will be understood in all...throughout Nebraska. I understand the issue with farms. Many of us have them sorted out. Our homestead is out. I don't know how that's going to impact on individual circumstances, so I don't quite understand. It will probably vary by how some farms have...whether they have their acre out, or acre and a half, or three acres if you've pulled out a plot. It varies by county, in terms of zoning. But the real issue to me is, is whether it's worth approximately one-fourth of the population paying more, whether they understand that they will be paying more, because they will lose their income tax deduction in order to save on the property taxes for the other 75 percent. I don't know. I'm still struggling with this. Part of it is the complications in administering this. County assessors will have additional burden, probably varied by county. Once again, Senator Heidemann used some figures. I'm still struggling with that philosophically. And I will give the rest of my time to Senator Redfield.

SENATOR CUDABACK: Senator Redfield.

SENATOR REDFIELD: Thank you, Senator Wehrbein. I appreciate it

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very much. You know, they say that a Democrat is somebody who steals from the rich to give to the poor, and they're very proud of that, and they say that Republicans are people who steal from the poor to give to the rich. And I will tell you that this is neither fish nor fowl, because this actually does a unique thing--it treats everyone the same. It doesn't matter whether you live in a cottage or you live in a mansion. It doesn't matter whether you have a 15-year loan or a 30-year loan or no loan. It doesn't matter whether it's a million-dollar loan or whether you paid cash for your house. Every single homeowner would get \$8,250 worth of the value of their home's taxes...property taxes paid under the homestead exemption. So it treats everyone alike. It doesn't play favorites. I know you're talking about a shift and, yes, when we look at it, \$25,000 to \$30,000 taxable income, only one out of nine people are currently getting the benefit under this system; \$30,000 to \$40,000 taxable bracket, you do see more utilization--one out of five. But the truth of the matter is, it's still not the majority of homeowners that are receiving any relief. And whether, in fact, if we were to put together our tax policy today, would we create a system that gives the most tax relief to the person who has the million-dollar loan? That's what we have today. The most tax relief goes to the person with the million-dollar loan and, as a Republican, I don't want to own that. I don't want to say that's the way I form policy in the state of Nebraska.

SENATOR CUDABACK: One minute.

SENATOR REDFIELD: Because I believe that we should treat all taxpayers alike. I don't want to tax the rich greater. I want them to pay a nickel on their dollar, just like everybody else. And because they make more dollars, they'll pay more nickels. But, at the same time, I don't think that we correct the situation by creating a system that rewards you the bigger the price of your mortgage, and so we encourage people to go out and borrow more, and more, and more, and see a pending doom as the baby boomers retire and face nursing home age and have assets that they still owe debts on. And the taxpayers who are left, the young people, will be the ones who pick up that cost. So I hope you bear the big picture in mind and ask yourself whether

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we would create the tax relief system we have today. If we were talking about on the floor, talking about is there any needs base or needs test, no,...

SENATOR CUDABACK: Time.

SENATOR REDFIELD: ...there isn't. Thank you.

SENATOR CUDABACK: Thank you, Senator Redfield and Senator Wehrbein. Senator Heidemann.

SENATOR HEIDEMANN: Thank you, Senator Cudaback. I just got a couple of quick comments, and then if Senator Redfield would like the rest of my time, I would yield it to her. We haven't talked a lot about the actual amendment. We've talked more about LB 44. I believe we need to think about the amendment. Even if you oppose LB 44, I think, unless somebody wants to correct me, and I will stand for that, I would like that, but I think we need to almost vote for the amendment, because if we don't vote for the amendment, even if you're opposed to LB 44, if LB 44 happens to pass, this will be a revenue enhancer for the state of Nebraska and I don't believe anybody wants that. So if I'm mistaken, I'll be...stand corrected. But I do think maybe we need a little bit of discussion on the amendment. But I think we need to think about it a little bit. With that, I'll give the rest of my time back to...give it to Senator Redfield.

SENATOR CUDABACK: Senator Redfield.

SENATOR REDFIELD: Thank you, Senator Heidemann. You are absolutely correct. We do need to adopt the amendment because, if the bill passed, we would be increasing the revenue here, and that is not my intent. I would not want that to occur. I have a couple of interesting articles, and I really didn't mean to approach it this way, but I was talking about some of the situations we have today. This is from the Omaha World-Herald, the Washington Bureau. It says Malcolm Buckey would be 97 years old when the 30-year mortgage on his dream home is paid up. Walter, in Annandale, Virginia, would be 84 when the last payment comes due on his 30-year loan. For many middle-aged homeowners, taking advantage of low mortgage rates will have an

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unintended consequence. As retirees, as they live on reduced incomes, they will still have mortgages to contend with. After selling a home in Richmond, Virginia, Buckey said he had the cash to pay for the home, but with a 30-year loan he could have low monthly payments and it offered flexibility and he would get a tax break. And there's just something wonderful about beating the government with a tax break. It is amazing what an incentive it is. But by taking out a 30-year mortgage, you're paying a lot more interest. You are getting a larger tax break, but it actually costs you more in the long run. It's not fiscally smart. My daughter said to me, she's a CPA and she said, why is it when I do everything to be fiscally smart our tax code punishes me? If I save money, they tax me on the interest I make. But if I pay down my loan, they take away part of the break that I get on the income tax. With every payment I make, I reduce my tax break; and if I pay off my loan, which is really smart, I lose it.

SENATOR CUDABACK: Thank you, Senator Redfield. Senator Stuthman.

SENATOR STUTHMAN: Thank you, Mr. President, members of the body. I know I've probably consumed more time today than I have on any other bill so far in my short years that I've been here, but I have a real concern of this. And probably my biggest concern is I have come from the county government, come from property tax assessments, valuations. And I look at it as a lot of people, on the surface, want property tax relief, and rightfully so. But I think...I think we must remember where can you get property tax relief? Your property tax is assessed locally, is paid locally, and it is kept locally in the subdivisions. What we're trying and attempting to do here, to me, is that we're trying to do something on the state level to give a property tax relief. The only way that you can have property tax relief is if you increase the valuations by new valuations of a community, and by new valuations I mean additional homes built in the community where people have bought and put up a new home, and that increases the valuation of your community. Maybe you get, you know, hundreds or millions of dollars of new valuations. I know in the county that I came from we generated \$50 million of new valuation in that county.

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That's property tax relief to the individual property owners, because there's more value to assess. That's property tax relief. The only other way that you can receive property tax relief is from the county boards, board of equalization cutting programs, cutting services, not utilizing as many dollars. But school districts are probably 80-some percent of your property taxes. That is a big portion of your property taxes. That is where you need to go to get property tax relief. Do people want to give property tax...have property tax relief and see education stopped? No, I don't think that's going to work, and I don't think people really want that. What we're really planning on doing here, if this LB 44 does pass, it's really a shift. It's a shift so that the counties will not be held liable for having to assess more dollars, except for that one year in the transition when they're going to be short of some money because the taxes, the income taxes, are not going to be paid into the state so that the state can give the money back to the subdivisions. So that is a year that the counties are going to be short of money, or they're going to assess more burden on the property. Will that be taken off the next year? I hardly doubt it, because I have not seen it very often when they say, oh, we took way too much last year; we're going to have to...we don't need so much this next year. I don't think that's going to happen. So with this one year of transition, we're probably looking at, you know, a property tax increase. But the money is going to be coming back from the state and we're going to have a burden to accomplish this part of it. So I think we need to take a real serious look at what we're doing, what group of people are we targeting this to, and is it going to benefit all or is it just going to benefit a few people. You know, there's a lot of people that do not own their own homes. There's a lot of people that live in apartments. They will see no benefit. So, I mean, this is a situation where homeowners, yes, that live in their own home, have it all paid for, they will see a benefit at an expense...

SENATOR CUDABACK: One minute.

SENATOR STUTHMAN: ...to someone else. So, with that, I'll return the balance of my time to the Chair. Thank you.

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SENATOR CUDABACK: Thank you, Senator Stuthman. (Visitors introduced.) There are no further lights on. Senator Redfield, you're recognized to close on AM0711 to the committee amendments, AM0248, to LB 44.

SENATOR REDFIELD: Thank you, Senator Cudaback. I appreciate your patience through the discussion. I know there have been a lot of questions. Senator Stuthman, I wish that the property taxes would go down in your district if there were double the property, but they won't because we have a thing called minimum school effort, which means that we're going to get those property taxes before the state pours in state aid. So the mechanisms have changed and the state has weighed in, and we have provided property tax relief through the constitution for farmers, we've done it for the elderly, and so this is not a unique thing. I am hoping that everyone adopts the amendment, because Senator Heidemann is absolutely right--we want the bill in the form where it is revenue neutral. And I think it's good news that we could give \$8,250 worth of the value to homeowners in property tax relief. And I'm hoping that in years to come, if we put this mechanism in place, that we'll be able to increase it as we go, and that we would be able to also increase the factor that we use for the farmland, so that we can provide property tax. This would give us another mechanism, because we have one in place for farms, we can lower that percentage, and this would give us one for homes. It would give us two very concrete ways to lower the property tax burden in this state in the years to come. I ask you to adopt the amendment. Thank you.

SENATOR CUDABACK: Thank you, Senator Redfield. You've heard the closing on AM0711 to committee amendments. Question before the body is, shall that amendment be adopted? All in favor vote aye; opposed, nay. The question before the body is adoption of AM0711. Senator Redfield, for what purpose do you...?

SENATOR REDFIELD: Senator, could I call the house? There was a meeting in 2222. They wanted to come back.

SENATOR CUDABACK: The question is, shall the house go under call? All in favor vote aye; opposed, nay. Record please,

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Madam Clerk.

ASSISTANT CLERK: 19 ayes, 0 nays to place the house under call, Mr. President.

SENATOR CUDABACK: The house is under call. All unauthorized personnel please leave the floor. Unexcused senators please report to the Chamber. The house is under call. The house is under call. Senators Combs, Price, Aguilar. I'm sorry, I was reading the excused. Senator Jensen, Senator Janssen, Senator Cunningham, Senator Landis, Senator Heidemann, Senator Louden, Senator Stuthman, Senator Wehrbein, Senator Connealy. Senator Cudaback. Senator Schrock, will you check in, please? Senator Brown. Thank you. Senator Landis, would you check in, please? Thank you. Senator Jensen, Senator Louden, and Senator Bourne, the house is under call. Senator Bourne, you check in, please. Senator Bourne. Thank you. I took you seriously. Senator Louden. Senator Louden, the house is under call. Please report to the Chamber and check in. Senator Redfield, did you...?

SENATOR REDFIELD: Oh, there he is.

SENATOR CUDABACK: All members are present or accounted for. Senator Redfield, how did you wish to proceed?

SENATOR REDFIELD: Board vote is fine. Thank you. And I'll accept call-ins.

SENATOR CUDABACK: Senator Redfield has accepted call-ins.

ASSISTANT CLERK: Senator Janssen voting yes. Senator Cunningham voting yes. Senator Beutler voting yes. Senator Foley voting yes. Senator Baker voting yes. Senator Smith voting yes. Senator Brashear voting yes. Senator Landis voting yes. Senator Brown voting yes. Senator Schrock voting yes. Senator Cornett voting yes. Senator Langemeier voting yes.

SENATOR CUDABACK: Record please, Madam Clerk.

ASSISTANT CLERK: 28 ayes, 1 nay on adoption of the amendment, Mr. President.

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SENATOR CUDABACK: AM0711 is adopted. I do raise the call. Back to discussion of the committee amendments, AM0248, to LB 44. Open for discussion. Senator Stuthman.

SENATOR STUTHMAN: Thank you, Mr. President, members of the body. I did notice that I had the only red light up there. And people are saying that, you know, maybe this would be the best thing, you know, if this part was with...amended into the bill, the \$8,200. But let's take a real serious look at this. If we're going to allow people to have \$8,200 of tax exempt of their property, that's going to lower the valuation of their property. That means that that group where the revenue is going to be coming from is going to have to be great. Maybe that's what's coming in now, of income tax, of that 23 percent. So that 23 percent, those individuals, your income tax burden has been increased because of the last vote. Because that group of people are going to have to be paying more income tax to subsidize the portion that the state is going to reimburse the subdivisions for that income tax exemption. Because you must look at that total valuation. And you're working with less dollars. Counties are not going to really work with less dollars. They're going to increase the values of property by that 8 percent or whatever it is. So that's a real concern. I think we need to really look at this in another way, that do we want to put a bigger burden? Because we have attempted to give a bigger exemption to those that own their own homes, have everything paid for. But the working younger people that are buying a home have interest bills to pay, we're going to tell them, you can't deduct your interest anymore. You're going to have to pay a bigger income tax to the state of Nebraska so that we can help those that have their homes paid for. So those are some of the comments that I think we need to take a serious look at. So with that, that's all I have for right now. But I am...I was upset to see that no one supported me in that part of it. But I will hopefully see what happens at the end result. So those are my comments. I'll return the balance of my time to the Chair. Thank you.

SENATOR CUDABACK: Thank you, Senator Stuthman. Senator Erdman, on the committee amendments.

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SENATOR ERDMAN: Thank you, Mr. President, members of the Legislature. Senator Stuthman, I believe what the actual process would be, my example is, I don't have enough to claim an itemized deduction, so I still get the standard deduction. This doesn't take that away. So those young people that you're referring to would still be able to claim the standard deduction. And realistically, based on my circumstances, it would probably help me. Granted, I don't vote on bills based on whether they help me or not; it's based on whether it's good public policy. And I think that's what we all strive to do. But I wanted to provide that clarification, that I think it's probably a little far-reaching to say that you would eliminate that opportunity for them. If they were itemizing, as far as their deductions, yeah, that would be taken away. But as far as the overall policy, there's probably, when you look at the handouts that Senator Redfield has presented, there's probably a lot more people in those lower incomes that are probably accepting the standardized deduction, as...or the standard deduction, than opposed to itemizing. Members, on the bill itself, I've listened to Senator Redfield, and she's talked to me about this, and I guess I'm open to the discussion. Is this the right policy or not? You know, I don't know. And Senator Smith and others bring up good points. Are we going to do meaningful property tax relief or not? And if so, is this it? I'm not sure. If we're going to do nothing, is this better than nothing? I guess that's the question that we have to wrestle with. And so I guess I'm open to the discussion. I've appreciated the comments. I guess I'm movable on it. I mean, I appreciated the information that Senator Redfield has presented. Is this good public policy? And do we truly know, based on some of the comments that have been made, what the actual implications would be, or not? I think there's probably some information on both sides that needs to be clarified on what it is this would actually accomplish. I think the committee amendments help accomplish that, to clarify to the public that this would not be a tax increase, but it would be, as Senator Redfield has pointed out, a simple shift in the way that we treat the tax code in the state of Nebraska. So, I've appreciated the comment. I've appreciated all the work Senator Redfield has put in. And I guess I've really appreciated the

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fact that we've taken the time early in the session to begin these types of discussions, to prepare us, whether it's on this bill or other bills, for what could be an opportunity this session with extra revenues. Thank you.

SENATOR CUDABACK: Thank you, Senator Erdman. (Visitors introduced.) There are no further lights on. Senator Landis, you're recognized to close on AM0248 to LB 44.

SENATOR LANDIS: Thank you, Mr. Speaker, members of the Legislature. The committee amendment now solves the problem of moving from one tax base to another across time, because those tax bases collect their revenues in different cycles. It also achieves revenue neutrality. And for that purpose, I think you want to put the bill in this form, whether you like it or not. Whether you intend to vote for the bill or not, I would adopt the amendment...amended committee amendment at this point. What is left for the body to decide then, once you adopt this, is whether or not you want to make a shift from an existing tax break that's given on the income tax side, so that you can use that money to fund a tax break that will be given broadly across the property tax side. For myself, it seems to me that we ask too much of our property taxpayers, and the income tax break that we give would do better for us on the property tax side. But that's very much a matter of individual taste. I'll...I'm sure Senator Redfield will live with the results from the body. My guess is that we're deeply divided on that. But do put the bill in the correct technical form, and that's to be done by this amendment, AM0248, now as amended on the floor, and as it came out of the Revenue Committee. Thank you.

SENATOR CUDABACK: Thank you, Senator Landis. You've heard the closing on AM0248 to LB 44. The question before the body is, shall the committee amendments be adopted? All in favor vote aye; opposed, nay. The question before the body is adoption of the committee amendments to LB 44, offered by the Revenue Committee. Have you all voted on the question who care to? Have you all voted who wish to? Record please, Mr. Clerk.

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

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SENATOR CUDABACK: The committee amendments are adopted. Back to discussion of the bill itself, advancement. Further discussion on the advancement of LB 44? Seeing no lights on, Senator Redfield, you're recognized to close on advancement of LB 44 to E & R Initial.

SENATOR REDFIELD: Thank you, Senator. I'd ask that we could call the house back from their meeting.

SENATOR CUDABACK: There's been a request for a call of the house. All in favor of the house going under call vote aye; those opposed, nay. Record please, Mr. Clerk.

CLERK: 22 ayes, 0 nays, Mr. President, to place the house under call.

SENATOR CUDABACK: The house is under call. All unauthorized personnel please leave the floor. Unexcused senators report to the Chamber. The house is under call. Senator Kremer, would you check in, please? Senator Schimek, Senator Landis, Senator Kopplin, Senator Friend, Senator Mines, Senator Chambers, Senator Synowiecki, Senator Thompson. Senators Connealy, Bourne, and Aguilar. Senator Brashear, Senator Don Pederson, and Senator Cornett.

SENATOR REDFIELD: Senator, do you want me to close as they're coming?

SENATOR CUDABACK: Your time is running, Senator.

SENATOR REDFIELD: Thank you. I hope that you appreciate, as I have, the fact that since we adopted the federal income tax and piggybacked on that, decades ago, I don't believe we've ever had a conscious decision to actually adopt, in this body, the current deduction for mortgage interest. And that's in fact what we'll be doing if we reject the bill, because what we'll be saying is that that's the most meaningful tax relief we can give, and we will have made that rational choice. And it's the way we've always done it, and that makes sense because that's always easy to do. But I think we have to recognize that in

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order to get the value of that deduction, you're going to have to stay in debt. And is that the policy that we want to have in the state of Nebraska? Is that the way we would create tax relief today if we were doing it? There might be some other choices out there. But the one that is before us today is whether we're going to give a homestead exemption, which provides direct property tax relief to every homeowner; not more for some, not less for some; the same for everybody. And that's the way LB 44 is created. You can go home and I think you can hold your face up high and you can say, this is meaningful and it's something that we can add to down through the years. And we've got a mechanism now in place that will provide direct property tax relief. We haven't been able to accomplish that before, no matter what we've done here in the body, through state aid to schools, or community colleges, or anything else. This gives us a mechanism to do that. So our choice is this. Do we want to continue the current system, which provides relief, tax relief on the income tax side, only as long as you maintain a very sizeable debt? Or do we want to give property tax relief to everyone, and encourage people actually to have more money in their pockets so they can spend it month by month? Because I can tell you that most Nebraskans are looking at whether they can pay their monthly bills, not looking at what is going to arrive in the mail on April 15. I ask for your adoption. Thank you.

SENATOR CUDABACK: Thank you, Senator Redfield. All members are present or accounted for. The question before the body is, shall LB 44 advance to E & R Initial? All in favor vote aye; opposed, nay. We're voting on the advancement of LB 44. Have you all voted on the question who care to? Have you all voted who wish to? Record please, Mr. Clerk.

CLERK: 7 ayes, 30 nays, Mr. President, on the advancement of the bill.

SENATOR CUDABACK: LB 44 does not advance. I do raise the call. Mr. Clerk, LB 217.

CLERK: LB 217, Mr. President, a bill by Senator Flood. (Read title.) Bill was introduced on January 7, referred to the

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Government Committee, advanced to General File. I do have committee amendments pending, Mr. President. (AM0278, Legislative Journal page 441.)

SENATOR CUDABACK: Thank you, Mr. Clerk. Senator Flood, you're recognized to open on LB 217.

SENATOR FLOOD: Thank you, Mr. President, members. I introduced LB 217 this year with the help of Senator Connealy, Senator Janssen, as well as Senators Cornett, Pahls, Smith, and Synowiecki. The single and most important purpose of LB 217 is to adopt the Public Facilities Construction and Finance Act, and to create an incentive for local governments to work together to avoid duplication of projects and facilities, thus, in the end, saving taxpayers money. I realize that there are already many outstanding examples of joint local government projects, where two political subdivisions come together and work well, and many programs across the state, from South Sioux, to Norfolk, to North Platte. Unfortunately, it is evident from the work done by the Nebraska Commission on Local Government Innovation and Restructuring, from 1996 to 2000, that most local governments throughout the state do not collaborate on joint building projects. We can all think about the many government projects and buildings in our districts which would perhaps have been better had they been jointly built to accommodate the common and multiple needs of more than one political subdivision. In my own district, I think about some of the smaller communities that have a maintenance shed for county vehicles and a maintenance shed for city or village vehicles. It seems to make sense to put everything under one roof. But as I've mentioned before in my testimony, political subdivisions don't have a history of working well together. LB 217 will create an incentive for local governments listed in AM0614 to work together to jointly finance and issue bonds for certain types of projects, without an election up front. I want to emphasize that 15 percent of registered voters could file a remonstrance petition to require an election before their local governing body, before they could...before that body could participate in such a joint project with other local governments. Not having an up-front election is the only incentive to LB 217. There are still requirements for notice

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and hearing by each participating local government. Of course, the joint agency or joint entity would have to go through the statutory notice and hearing requirements of the Interlocal Cooperation Act, or the Joint Public Agency Act found in Chapter 13, Article 25. Current law provides that bonded indebtedness is already outside of the lid and the maximum levy limits. Current law also provides that interlocal agreements, pursuant to the Interlocal Cooperation Act or the Joint Public Agency Act, are outside of the lid. In addition, current law provides that 5 cents of levy authority for such interlocal agreements can also be used by municipalities and counties. The language which references lid and levy limits is language that was written by bond counsel, who assisted with the drafting of this bill. You might be surprised to know that local governments can already purchase fire trucks. They can build certain buildings outside of the lid levy limitations, with bonded indebtedness, without an election, such as revenue bonds for utility projects, flood control bonds for drainage projects, off-street parking bonds for off-street parking projects in an off-street parking district. You may ask yourself, what is a joint project? Well, pursuant to Sections 2 and 3 of the white copy of LB 217, a joint project would provide the incentive of not having the up-front election when qualified public agencies, as defined together, to issue bonds to finance a joint project for the acquisition, construction, financing, operation, and ownership of two types of projects. This amendment defines "joint project" to mean a project financed and operated by at least two or more qualified public agencies, cooperating as a joint entity or joint public agency for (a) any public building or buildings, related improvements to real estate, including parking facilities, recreational facilities and related improvements to real estate, flood control, any street and road construction, improvements and related fixtures and (b)--and this is very interesting; if you support your public library, you're going to want to pay close attention here, and I can imagine each of you do--any item of hardware or software used in providing for the delivery of information, including the purchasing of upgrades or related improvements to information technology to operate libraries that are owned by counties, municipalities, school districts, ESUs, or community colleges. Think about it for a moment. If you walk into your public

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library right now, and I know if I did the same in Norfolk, there would be a line stacked deep down the hall of the library to use the Internet computers. We can't keep enough computers operating to satisfy the needs of the Norfolk Public Library patrons, because it's such a popular attraction in this electronic age. LB 217 would allow for the issuance of bonds and joint projects in publicly owned libraries across Nebraska, not to exceed \$250,000 for cities of the metropolitan or primary class; \$100,000 for counties, cities of the first class, and school districts, ESUs, and community colleges; and not to exceed \$50,000 for cities of the second class and villages. Imagine going to the library in Valparaiso, or maybe the library in Battle Creek or Madison or Newman Grove, and being able to access on-line the entire libraries found in Norfolk, Columbus, Northeast Community College, the Omaha Public Library. There's no end to the advantages of getting libraries to work together. Imagine for a second all of the different buildings you have in your district that could be done under one roof to improve services for citizens. Instead of going four places to pay a municipal water bill, and maybe, in some cases, a municipal electric bill, and maybe see the school district, or file a matter with a county court, you could go to one building, rather than four or five different buildings. There's a limitation of \$5 million on a joint building project. That does not build a Taj Mahal; \$5 million is a reasonable amount of money when public, political subdivisions, or joint agencies as we call them here, work together. It's also important to remember that the participating joint agencies, you know, public agencies that want to work jointly with another public agency, are also limited, when it comes to debt service, to 5 percent of their total restricted funds. Call your city administrator, call your county or your school district, and find out what they have for restricted funds. In many small communities that possibly have a \$1 million budget, \$800,000 of that, let's say, for instance, was restricted funds; 5 percent of that \$800,000 would be the limitation that they could participate when it comes to paying back these bonds. I really believe this is a proactive, innovative way to provide an incentive, a carrot rather than a stick, to get political subdivisions to work together. I urge you to support this bill. And for reference, I support the committee amendments that the Government Committee so diligently

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worked on. I also...you'll find on your gadget two separate amendments, LB (sic) 614 and LB (sic) 605. I want to thank Senator Chambers, Senator Schimek, and other members of the body that I've worked with since introducing this bill, and after the committee hearing. We've tightened the language up. In LB 217 you'll find a whole litany of different political subdivisions that could have been participating. We've taken out some of those to make this easier, and those that we've taken out include ag societies, county fair boards, joint airport authorities, drainage or levy district, historical society, irrigation district, natural resources district was taken out by the committee amendment, nonprofit county historical association. The list goes on. We kept this simple to address the needs of cities, counties, school districts, ESUs, community colleges, and the like. So, for your reference, when you're wondering what this bill would look like if the amendments were adopted, by the committee, and by the amendments that I've offered, I believe, in AM0605, I would ask you to refer to AM0614, which is the complete white copy that would set out how this bill would look. I do intend to withdraw my amendments on AM0605. But I made them part of the record so that you could see what specifically was taken out in my second round of revisions, thanks to the work that I've been working on with Senator Chambers and Senator Schimek. If anybody has any questions, obviously, this is my first time, and I would appreciate you going very easy on me and I...

SENATOR CUDABACK: One minute. (Laughter)

SENATOR FLOOD: ...would imagine that this will just sail right through. So, I appreciate the time, and I would send the balance to the Chair.

SENATOR CUDABACK: Thank you, Senator Flood. You've heard the opening on LB 217. There are committee amendments, as stated by the Clerk. Senator Schimek, as Chairperson of the Government, Military and Veterans Affairs Committee, you're recognized to open on those amendments.

SENATOR SCHIMEK: Thank you. Mr. President and members, the amendment is AM0278. And it does two things. One, it takes

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out, on page 2, line 13, and page 3, lines 17 and 18, the words "and storm water drainage." (Laugh) And there's a really good reason for doing that. Some of you here in the Lincoln area would be very familiar with this issue. But we decided that we didn't need that kind of controversy on this bill. It would probably land us in a filibuster of some kind. So...and it isn't that critical a thing. So we have taken out the storm water drainage districts. And then we also took out natural resources districts. And I think there were some people on the committee who felt pretty strongly that that, too, could end up being controversial, because of some of the natural resource districts' projects that have been occurring. And so again, probably to take out some controversy, we did that. But we also, in the later amendment that Senator Flood began to talk about, we probably would have done it anyway in that amendment, just because we were paring down the number of subdivisions that we could talk about, or that could be included. So that's a brief explanation of the amendment. I suspect there will be people who might not agree with what we did. And...but I'd be happy to try to answer any questions, as I'm sure would Senator Flood. And, Senator Flood, do you need any time to talk about the committee amendment or anything else?

SENATOR CUDABACK: Senator Flood.

SENATOR FLOOD: I appreciate that. I guess I would just add, I realize that NRDs were stricken from the committee amendment, and storm water issues, obviously, were stricken from the committee amendment. I can agree with that, because I think it's a first step. Let's just look at counties, cities, subdivisions of county government, city government, see how they do with this before we get into this on a grander scale. I think that's the appropriate approach, and that's why I support the committee amendments, and I'd urge their adoption.

SENATOR CUDABACK: Senator Schimek.

SENATOR SCHIMEK: Yes. Thank you, Senator Flood. And I'm not going to take my entire ten minutes, but I would like to say that I'm very supportive of the bill. It's a bill that has been before the Government Committee before. It was advanced to

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General File last year, I believe it was. And it is something that I think could be very valuable to local subdivisions. We've had several very fine projects done by what you would call a joint entity here in the city of Lincoln, and I think it can be done elsewhere, as well, if people have the authority to bond. Here in Lincoln, the public schools and the city went together and built a recreation center on one of the middle schools, Irving Middle School. It was called junior high school then. I guess it still is called junior high school. But anyway, they went together and built that facility, and it's available to the public after hours. And it's something that they probably couldn't have done separately, but were able to do together. So I think it's a great concept. And I think there are enough safety provisions in it that it won't be misused. So with that, Mr. President, I return the rest of my time to the Chair.

SENATOR CUDABACK: Thank you, Senator Schimek. You've heard the opening on the committee amendments, AM0278 to LB 217. Senator Chambers, followed by Senators Beutler, Brown, and Mines. Senator Chambers.

SENATOR CHAMBERS: Mr. President, members of the Legislature, I would like to ask Senator Flood a question, for clarification.

SENATOR CUDABACK: Senator Flood, would you respond?

SENATOR FLOOD: Yes.

SENATOR CHAMBERS: Senator Flood, will this amendment, AM0614, strike everything, including the committee amendment, if it should be adopted? Or will this not be offered?

SENATOR FLOOD: The committee amendments are included in AM0614, so AM0614 would be the combination of LB 217 with the amendments from the committee and the amendments listed in AM0605.

SENATOR CHAMBERS: So if the committee amendments were not adopted, everything they contain would be in this AM0614?

SENATOR FLOOD: Yes.

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SENATOR CHAMBERS: So we could defeat the committee amendment instead of adopting that, and then erasing them with this one?

SENATOR FLOOD: If you defeated the committee amendment, then I would certainly offer AM0605.

SENATOR CHAMBERS: And if the committee amendment is adopted, would you offer it anyway? Or would you not?

SENATOR FLOOD: I would offer it anyway.

SENATOR CHAMBERS: Okay. Thank you for that, but I'm not through with you yet. Would you look at your AM0614, on page 2?

SENATOR FLOOD: Yes.

SENATOR CHAMBERS: Senator Flood, do you consider yourself to be a radical person?

SENATOR FLOOD: Not on most days of the week.

SENATOR CHAMBERS: Do you consider yourself to be unruly, impetuous, and ungovernable?

SENATOR FLOOD: No.

SENATOR CHAMBERS: Would you look in line 5 on page 2 and explain to me why you would have a project for "Flood" control, if you don't need that? (Laughter)

SENATOR FLOOD: Well, I think in the broader sense, it has to do with water. But if it was your intent to apply this to me, I would want it stricken. But I don't think that's the legislative intent of "flood control."

SENATOR CHAMBERS: Thank you. And, members of the Legislature, I do have some questions about language in this white copy of the bill. But I will not ask them at this point. I will wait until we get to this. And I will see whether Senator Schimek is going to ask us to vote to adopt the committee amendments and

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then erase them with AM0614; or if we would defeat the committee amendments, then go directly to AM0614, which, based on what Senator Flood told us, will contain what is in the committee amendments. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Chambers. Further discussion? Senator Beutler.

SENATOR BEUTLER: Senator Cudaback, members of the Legislature, I understand that the committee amendments are not necessary and will be presented to us a second time with Senator Flood's following, ensuing amendment. However, the topics of the committee amendments are of some significant concern to me. I'm afraid that the way the issue was framed to you at the very beginning sets up a false premise, and the false premise is that storm water sewers in this bill, and what we're proposing to allow to be done in this bill, somehow relates to the controversy over storm water sewers in the other bill that most of us know now is still in the Natural Resources Committee. That bill is controversial not because it deals with storm water sewers, but because it proposes a method of assessment that is different from a straight property tax. It proposes to assess people on the basis of impervious surface, as opposed to a straight property tax, and therefore is controversial. You all are probably very aware that as a part of that controversy there has been a discussion about the federal requirements that are coming down with respect to enhanced storm water sewer facilities that are going to be necessary in Omaha and Lincoln and in first class cities now. One way or another, the cities are going to have to pay for that. They will pay for it with some sort of fee system, or they will pay for it with property taxes. That's...there aren't any other ways to pay for it. And the people who oppose the storm water sewer bill in the Natural Resources Committee are saying, no, we don't want the fees; pay for it with property taxes. Okay. That's all this bill is about. It's about paying for things with property taxes. So it's unrelated to that controversy. And if you're going to pay for the standard set of local improvements that are ordinarily paid for by property taxes, why in the world would you not allow a city to use this bonding method and some sort of joint agreement to facilitate the construction of these facilities

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through property taxes? I mean, that's the whole point of the bill, is to encourage people to get together, to deal with local improvements through the bonding mechanism, and to pay for them with property taxes. So, Senator Flood or Senator Schimek, I would like to ask you, why would you drop out storm water sewer improvements from this bill, when it has nothing to do with the other bill, and is simply another standard sort of improvement that's often paid for...which is almost always paid for with property taxes? Senator Flood, if you would yield.

SENATOR FLOOD: Thank you, Senator Beutler.

SENATOR CUDABACK: Senator Flood.

SENATOR FLOOD: I really should let Senator Schimek answer for the committee, as I don't participate and I am not a member of the Government Committee. But I did not object to removing the storm water language from my bill because I know that you, in fact, have separate legislation that addresses storm water already on file, and you're working that legislation. So I didn't have an objection, because I felt that it was already being addressed by the Legislature, or would be. Secondly, when I put this together, I used the language that Senator Wickersham, from years past, had put together, together with the Innovations Council. And I saw the real benefit here between cities and counties. I realized that NRDs would benefit, and there's certainly a storm water issue across Nebraska. But,...

SENATOR CUDABACK: One minute.

SENATOR FLOOD: ...without speaking for the committee, I didn't specifically object to their use of...to their restriction, because there was already legislation pending. Possibly Senator Schimek could more fully explain the position of the Government Committee.

SENATOR BEUTLER: I would yield to Senator Schimek, if there is any further time, Senator Cudaback, or if she has any further information that she'd like to provide.

SENATOR SCHIMEK: I don't...

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SENATOR CUDABACK: Senator Schimek.

SENATOR SCHIMEK: ...really, Senator Beutler, because I was engaged in a conversation over here about how to handle the committee amendment, and I didn't hear exactly what Senator Flood said.

SENATOR BEUTLER: Okay.

SENATOR CUDABACK: Thank you, Senator Beutler. (Visitors introduced.) On with discussion of the committee amendments, AM0278 to LB 217, Senator Brown, followed by Senators Schimek, Mines, and Beutler. Senator. Senator Brown.

SENATOR BROWN: Mr. President, members of the Legislature, I am supporting the underlying bill. I agree with much of what has already been said, that it offers us some opportunities for political subdivisions to work together and to be able to do bonding. And I really...I've seen some of the activities that are potential...are possible with this kind of joint activity, and I think it's something that we need to do. I'm also trying to figure out exactly what we're doing now with the proposed amendments. And I wondered if Senator Schimek would answer a question.

SENATOR CUDABACK: Senator Schimek.

SENATOR SCHIMEK: Yes.

SENATOR BROWN: Senator Schimek, can you explain briefly once again where we are with the amendments, and what we can potentially do?

SENATOR SCHIMEK: Okay. Thank you, Senator Brown. I think probably we have two...we do have two choices here. We can either vote the committee amendment across, or we can vote it down. In any instance, we have to take a vote on it. And then we can deal with the Flood amendment. Well, the Flood amendment incorporates the committee amendment. So I guess I'm at the point where I think we should adopt the committee amendment,

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because we need to do that, and make sure that everybody agrees with that, and then, you know, then take up the Flood amendment. Because what if people like the committee amendment and they don't like the Flood amendment, or vice versa? I think we...the Flood amendment takes the committee amendment into account. So I think we should have a straight up vote on the committee amendment. That's my thinking at this time.

SENATOR BROWN: Okay. Would you yield to one more question? But the issue that has been posed by Senator Beutler deals with both the committee amendment and the potential Flood amendment?

SENATOR SCHIMEK: That is correct.

SENATOR BROWN: Okay. Thank you.

SENATOR CUDABACK: Thank you, Senator Brown. Senator Schimek, you're...you may continue, Senator Schimek. Your light is next, if you wish to.

SENATOR SCHIMEK: I guess I would like to turn my time over to Senator Beutler, who I think had questions. And I guess I would like to have him have some more time. I had my light on only in case I needed it, Senator Beutler, and at this point I don't think I do.

SENATOR CUDABACK: Senator Beutler.

SENATOR BEUTLER: Okay. Senator Flood, let me pursue just a little bit longer this storm water sewer drainage. As Senator Chambers so humorously pointed out, you do have flood control in there. How does flood control differ from storm water drainage control?

SENATOR CUDABACK: Senator Flood.

SENATOR FLOOD: Well, I can see, obviously, where you'd see a similarity on their face. But I...when I think of flood control, I see it much differently than I see drainage problems. A lot of times, especially up in the more hilly country of Cedar County, they have drainage issues that don't cause floods, but

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they erode soil, they...you know, people use subsurface tiling inappropriately, and maybe bring it all together and put it in a pool on another person's land. That's a drainage issue; that's not a flood problem. So I guess I make the distinction there. Without being very familiar with every single issue having to deal with, you know, water runoff in the state, or flood issues, I do see drainage differently than flood control. Flood control, in my community, my hometown of Norfolk, is a major project on the outskirts of town that has been in place to prevent what happened back in 1944 in Norfolk from happening again. And that's a very substantial flood control project. It protects us from the Elkhorn River. Drainage issues across Nebraska I see very differently. It could be in the city or it could be in the countryside. But that's not necessarily flood control. So I see them differently for purposes of this bill, if that's any help to you.

SENATOR BEUTLER: It helps a little bit. But I think you would admit there's some very significant overlaps. And mostly what we think about when we think about flood control are the construction of dams, small and large, and dikes, and those kinds of things. And curiously, mostly the only people that do that are the NRDs, who you've excluded from this bill by the other part of the committee amendment. So it seems somewhat in logic...illogical, to me, lacking in logic, to retain flood controls and then to eliminate the primary kind of political organization that deals with that, and to exclude drainage...storm water drainage, but to include the type of political entity that deals with that, even though the two things are very related. And for my part, I see flood control mainly as a more severe dimension of storm water drainage control. So again, let me ask you this question then. Are you familiar with the issue that is before the Natural Resources Committee with respect to storm water drainage?

SENATOR FLOOD: Very limited. My knowledge of that is very limited, but I'm somewhat familiar.

SENATOR BEUTLER: Okay. So...

SENATOR FLOOD: I would...

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SENATOR BEUTLER: ...but you're familiar enough with it to know that it's the fee part of it that's controversial; not dealing with, per se, storm water drainage problems, right? I mean,...

SENATOR FLOOD: Yes.

SENATOR BEUTLER: ...entities have to deal with it one way or another. And with...

SENATOR JANSSEN PRESIDING

SENATOR JANSSEN: One minute.

SENATOR BEUTLER: ...and with the new federal regulations, obviously they're going to have to deal with it in a very different way.

SENATOR FLOOD: I know that that...

SENATOR BEUTLER: And I know you didn't do the committee amendment. But let me just ask you, is there any logic, in your mind, other than the small step logic that you've articulated here earlier? But I'm talking de facto, with regard to the substance of the issue, do you see any good reason for excluding storm water drainage?

SENATOR FLOOD: I think my impression of the committee's position is that it was going into an area that they felt uncomfortable with, quite possibly because the committee had some concerns with the activities and projects of NRDs across the state of Nebraska, if that's accurate. Somebody from the committee could do a better job than I could describing what happened in their Executive Session.

SENATOR BEUTLER: Okay. It's probably fair of me to redirect my questions...

SENATOR JANSSEN: Time.

SENATOR BEUTLER: ...to Senator Schimek, and I'll do that.

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SENATOR JANSSEN: Thank you, Senator Beutler. Senator Mines.

SENATOR MINES: Thank you, Mr. President, colleagues. I stand to address not only the bill, but the amendment as well. The committee, at my suggestion, and after discussion about excluding NRDs and storm water, I was more or less the instigator of this amendment. And I can tell you, primarily what...there are several reasons why we're doing...why I suggested that we do that, and I'll talk primarily about the mechanism first. This bill would allow public agencies to join together, do a joint project, and issue \$5 million in bonds with...not necessarily with a vote of the people, by a vote of the board of whatever local entity that might be. Those of you that have been to local government meetings and functions understand that some local government committees have a lot of people show up, and some of them don't. The ones that many times don't are NRDs. They go about their work and do, usually, a very nice job. But NRDs typically have very little local citizen participation in policy and principle. So with that as a background, I suggested that we pull out NRDs and storm water, because there's...the NRD in my area has been very aggressive in their plans to control flood...or to prevent flooding and to do other things that may or may not be for the betterment of the entire area. And to...in my view, to allow the NRD in my area to partner with another organization for the purpose of a public project, and not allow the citizens to vote on that bonding, the up to \$5 million, I felt was, at this time, not appropriate. I felt so because, as Senator Flood indicated in his original testimony, let's try it with other local agencies first. Let's see how this works, particularly schools and cities and counties and library associations, and those kinds of institutions. Let's try that with those entities first, and if it works and if we don't have further concern, we can bring in the NRDs and storm water. To address storm water, certainly LB 102, Senator Beutler's bill, is engaged in a great discussion on how to fund the thing. As he mentioned, there's no doubt that it needs to be funded, and the actual procedure on how we're going to do that is a question. In my view, on flood control, certainly this is a use of property tax. Any time you bond a project, you typically pay for it, unless it's a revenue bond, with property

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tax. And again, this mechanism doesn't allow, or doesn't encourage, public involvement. It is a joint agreement between two entities to fund a \$5 million project. And it's not slipping it through in the dead of night but, in fact, it doesn't encourage people to become engaged and to approve of that bonding process. So I didn't feel...or, I don't feel that it's appropriate that that process be tied in and somehow enabled for the purposes of LB 102. And that's it. I have no more, Mr. President. Thank you very much.

SENATOR JANSSEN: Thank you, Senator Mines. Senator Beutler.

SENATOR BEUTLER: Senator Janssen, members of the Legislature, first of all, LB 102 is not my bill. The bill in the Natural Resources Committee is a committee bill, I believe. That's all right. I just wanted to be clear on that. But I am in favor of resolving the storm water sewer problem that's been laid upon us by the federal government. I'm interested in resolving that for the city of Lincoln, along with Omaha and all of the first class cities. So it would be fair to say I take a big interest in LB 102, even if it's not, per se, my bill. Having said that, though, let me explain that at least in our county, the city of Lincoln and the county of Lancaster and the NRD, the Lower Platte South NRD, work very nicely together on a whole array of projects. Involves things in the city, like city parks, the water on city parks. It involves things just outside the city boundaries that are more in the jurisdiction of the NRD. In dealing with storm water, for example, it's anticipated that there would be some kind of joint program with the NRD and/or the county and the city of Lincoln. So it's very much in the interest of my constituents to be able to use a bill like this. And their immediate problem is storm water, and their immediate partner is the NRD. And for some reason, because maybe one NRD is in disfavor someplace, or because there's some relationship in terms of descriptive material, although not in fact, with some other bill that's disliked, in the Natural Resources Committee, having to do with a fee system, I don't think those are very good reasons for the committee amendment excluding those things. If you look at the type of things that are being allowed--public buildings or related improvements to real estate, parking facilities, recreation facilities--I mean, if we

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were trying to anticipate controversy, maybe we should get rid of recreation facilities, because traditionally that's been one of the most controversial areas that we've dealt with, not storm water drainage. Storm water drainage is basic, fundamental civic government 101, and should have the benefit of whatever mechanisms we're allowing for local political subdivisions to deal with the problems. You can also deal with street and road construction and improvements, and related fixtures. And then you get into the whole separate area, which is hardware and software, and that's a whole separate category. But, Senator Flood, let me ask you this, if I may. Relating to the category (a) descriptions, where you have flood control and you've excluded storm water drainage, what is the dollar cap on the bonds that can be issued for an improvement with respect to the category (a) improvements?

SENATOR FLOOD: \$5 million.

SENATOR BEUTLER: Category (a) is everything except the...

SENATOR FLOOD: Libraries.

SENATOR BEUTLER: ...computers and...

SENATOR FLOOD: Yeah.

SENATOR BEUTLER: ...information technology, right?

SENATOR FLOOD: The cap would be \$5 million.

SENATOR BEUTLER: Okay. And that's another thing...

SENATOR JANSSEN: One minute.

SENATOR BEUTLER: That's another thing I wanted to ask you about. And maybe I should ask you one preliminary question before that. Describe the cap for us on the information technology side.

SENATOR FLOOD: Well, on the information technology side, cities like Omaha and Lincoln would have a cap of \$250,000; cities of

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the first class and, I believe, school districts, a number of others, would have a cap of \$100,000; and cities of the second class and villages would have a cap of \$50,000.

SENATOR BEUTLER: Okay. Let's just talk about the differentiated cap, to start with. And I have other questions then. But with regard to the differentiated cap, Omaha is a metropolitan city with, what, 700,000 people in the immediate city, something like that. And their cap is how much?

SENATOR FLOOD: \$250,000.

SENATOR BEUTLER: Okay. And for...

SENATOR JANSSEN: Sorry, Senator Beutler. Time has expired. Senator Chambers.

SENATOR CHAMBERS: Thank you, Mr. President. Members of the Legislature, because the discussion is somewhat wide-ranging, a question that I have that I would ask of Senator Flood will commence on page 3 of AM0614. And this relates, Senator Flood, to the circumstances under which an election must occur, prior to the issuance of bonds. If, within 30 days following the first publication, this remonstrance petition is signed by a specified percentage of the registered voters of the public agency, then an election would be required. Now, if you will turn to me...with me to page 2, listed under "qualified public agency" is, found on line 14, these words: "rural or suburban fire protection district." What is the electorate of a rural or suburban fire protection district, and whom is elected in that district? (Humming Jeopardy.)

SENATOR FLOOD: I'm learning a little bit about rural and suburban fire districts. But that is anything...it's a rural fire district. I mean, the voters of the rural fire district...well, it's not a rural fire district; it's outside of a...let's see here.

SENATOR CHAMBERS: I'm kind of lost. Are you being coherent, or are you being disingenuous?

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SENATOR FLOOD: Well, you put that "Flood control" on me, and now I'm trying to figure out how to get around it. I'm...

SENATOR CHAMBERS: (Laugh) Okay.

SENATOR FLOOD: A suburban fire district or...as defined here on page 3...or 2, line 14, does have a body that elects its officers. Does that make sense?

SENATOR CHAMBERS: Now, what constitutes a rural fire protection district?

SENATOR FLOOD: They're just like any other political subdivision. I mean,...

SENATOR CHAMBERS: Do they...

SENATOR FLOOD: ...my explanation is correct that a rural fire district or a suburban fire district has the same rights and responsibilities as any other political subdivision, with certain taxing authority. If they need to do a bond issue to get a new fire truck, they do a bond issue to get a new fire truck, and it's taxed...

SENATOR CHAMBERS: Okay.

SENATOR FLOOD: ...the property tax owners in that district.

SENATOR CHAMBERS: Who draws the boundaries that comprise a rural or suburban fire district? How are the boundaries determined?

SENATOR FLOOD: I think they've been determined for some time. But I would assume that the county has the ability to draw the districts of a suburban or rural fire district.

SENATOR CHAMBERS: And the only persons elected are whom?

SENATOR FLOOD: In a rural or suburban fire district?

SENATOR CHAMBERS: Yes.

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SENATOR FLOOD: The board that oversees the operation of that district would be elected. And then I believe that board then would elect its chief.

SENATOR CHAMBERS: And who is allowed to vote? And first of all, do they have regular elections?

SENATOR FLOOD: Patrons of the district would be allowed to vote.

SENATOR CHAMBERS: And those would be only the persons within the boundary of this rural or suburban fire district?

SENATOR FLOOD: Yes, Senator Chambers.

SENATOR CHAMBERS: And they have to be registered voters before they can vote?

SENATOR FLOOD: Yes, Senator Chambers.

SENATOR CHAMBERS: What is a hospital district?

SENATOR CUDABACK PRESIDING

SENATOR CUDABACK: One minute.

SENATOR FLOOD: A hospital district is a subdivision recognized by statute that can issue bonds to build a hospital or to build a...

SENATOR CHAMBERS: Okay. Well, who is voted for in a hospital district?

SENATOR FLOOD: If created, if a hospital district has been created, the patrons of the community that the hospital is located in. I said the eligible voters in the community that the hospital is located.

SENATOR CHAMBERS: Are there boundaries of this hospital district?

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SENATOR FLOOD: Yes, there are.

SENATOR CHAMBERS: And they are not determined before the hospital is determined to be built, are they?

SENATOR FLOOD: They...

SENATOR CHAMBERS: Or are they?

SENATOR FLOOD: I believe they can be. Do...

SENATOR CHAMBERS: I will continue later, but my time is out now. Thank you, Mr. President.

SENATOR CUDABACK: Thank you, Senator Chambers. Senator Schimek.

SENATOR SCHIMEK: Yes. Thank you, Mr. President and members. I've been out in the Rotunda, and I'm not sure that I heard all of the discussion. But I would like to reiterate that the rural and suburban fire districts, and sanitary and improvement districts is another kind of weird animal, in my opinion, but they both have the ability to raise taxes and to issue bonds, is my understanding. And I would like to go back to what Senator Beutler was asking about regarding flood control. And a lot of cities do do flood control, Senator Beutler, as you know. They do dikes, and sometimes even dams, small dams within the city. So I think the reason that storm water was taken out of this, to some degree, cities can do some things they need to do under the flood control language. But "storm water" is kind of a buzzword, and I guess that's why we took it out. I think that, arguably, we could put it back in if you make the strong enough argument that it should be. But I really do think that it gets all kinds of entities then that come in, in opposition to the bill. And I would much prefer to accomplish what this bill is all about, and that's Public Buildings and Facilities Construction Act. That's really what we're trying to get at here. And I don't want us to be distracted too much by some of these other, not exactly side issues, but maybe not part of the main focus of the bill. And I just wanted to offer that for

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your thought. There are safeguards built into the bill. We have talked about that petition process, whereby the population, if it so decided after the hearing process that they did not like...they did not want to support the bond issue, they can take out a petition and, with 15 percent of the registered voters in that area, they can get it put to a vote of the people. And I think that's a pretty good way to do it. It allows boards to make decisions, but it also allows people to have the second choice. So with that, Mr. President, how much time do I have left? I don't know if I have enough to give to somebody.

SENATOR CUDABACK: About two minutes, Senator.

SENATOR SCHIMEK: I would give my time to Senator Janssen, then, if he would, please.

SENATOR CUDABACK: Senator Janssen, about two minutes.

SENATOR JANSSEN: Thank you, Senator Schimek and Senator Cudaback. Getting on to the fire...or rural fire protection districts, the chief...I heard Senator Chambers talk about, is the chief elected? Well, the chief is elected by the members of that local fire department. Only the board, the rural fire protection board, is elected by the electorate in that particular fire protection district, so just for clarification on that fact. And I remember this bill. I carried it for a couple of years. Senator Tyson also had the bill. It has expanded a little bit from what...when I first had introduced that several years ago. But it is a good bill. I mean, you're going to be able to...

SENATOR CUDABACK: One minute.

SENATOR JANSSEN: ...use different entities within a community to form agreements, if you need a library or anything with a school district. I can see nothing but good in this bill. And I think it's going to probably take a little time to get it ironed out. But, Senator Flood, you're doing a fine job with it. I appreciate the fact that you prioritized this bill, because it is something that rural Nebraska, and not only rural

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Nebraska, but first class cities, second class cities can use throughout this state. And this is what's made this state probably as good as it is, because of cooperation like this, when we can get people together and use a bond issue for some very, very important things. So, Senator Flood, keep up the good work.

SENATOR CUDABACK: Time.

SENATOR JANSSEN: It's a good bill, and you'll do fine with it. Thank you.

SENATOR CUDABACK: Thank you, Senator Janssen and Senator Schimek. Senator Mines, followed by Senator Beutler and others.

SENATOR MINES: Thank you, Mr. President. Could I have Senator Flood yield to a question, please?

SENATOR CUDABACK: Senator Flood, would you yield to a question?

SENATOR FLOOD: Yes.

SENATOR MINES: Senator Flood, let me just first say that I do support the bill and I support your amendment, and I think it makes some sense, given what cities and counties and all local governments face today. I might ask, there's...Senator Schimek suggested that the real core of this bill is public buildings, public real estate, recreation facilities, those kinds of things. Could you tell me where you came up with the idea for this particular bill?

SENATOR FLOOD: Sure. Thank you, Senator Mines. I look at communities like South Sioux City, where the school district and the city enjoy the services that they provide under one roof. So when a patron of the school district or a resident of the city walks into this building, all their services, for the most part, are laid out under one roof. And obviously, I talked about that in my opening remarks. But there's a benefit that I didn't address, and that benefit is, there's communication between the school district, which has a much larger budget, most times, than the city. And when the city and the school and

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the community college and the ESU and all the different government agencies and the veterans' service officer start talking to each other under the same roof, that's a benefit for citizens. I look at my own community, and I look at a city administration building that was built in 1939 under the WPA, and I look at our...you know, when FDR was President. And then I look at our school administration building that was built in 1902 when Teddy Roosevelt was President. And the services and the buildings are just outdated. They're nonfunctional. This brings them together. They work together to build a building, and that's what I saw as the major benefit, was building a building we could be proud of, that has services under the same roof. And that's why I introduced the bill.

SENATOR MINES: Thank you, Senator Flood. I'm curious how NRDs and storm water drainage was included in the bill. Is there any background on that?

SENATOR FLOOD: This bill--and it has quite a history--has been introduced by Senator Connealy and Senator Janssen, and is the outgrowth of a...of the Innovations...

SENATOR MINES: This isn't your idea?

SENATOR FLOOD: Not the NRDs and the storm water drainage. But the public buildings I'll take all the credit in the world for.

SENATOR MINES: (Laugh) Okay. Okay.

SENATOR FLOOD: But I value what NRDs do. I, in private practice, represented NRDs, and I find their work to be very valuable. I just see what they're attempting to do, on some levels, exceeds the \$5 million. And I don't know that there's many projects that they do that are substantive that would benefit from this bill.

SENATOR MINES: Thank you. And again, maybe that's where I was coming from in committee when we talked about this amendment. The storm water and drainage and flood control, as Senator Beutler has rightly pointed out, and as you and I had a conversation before this bill was introduced, there is a...it's

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a blend of one and the same, I think. I mean, there are interpretations. Each one could represent one another. And I think the valid point is, maybe we need to define "flood" for this purpose. Secondly, the...just let me restate the core of why I am in favor of...with removing NRDs and storm water. Again, this is a bonding process that can happen in a meeting of any local entity, and can happen with a majority vote of those people, and can happen without the public's full knowledge and full understanding. Now, once that public entity is...has completed that approval, there is a 30-day period. And if 15 percent of the voters in that area...by the way, if it were an NRD, if it were the Papio-Missouri NRD,...

SENATOR CUDABACK: One minute.

SENATOR MINES: ...that would incorporate not only Douglas County, but Sarpy County, Dodge County, and Washington County, and Burt County, and Otoe County. Dakota County. Dakota County is in that as well, you're right. So it's a large number of people. Fifteen percent may not seem like very much, but in that broad spectrum, it really is...could be an obstacle to having full public interplay. So with that, again, I support LB 217, support the amendment. And how much time might I have, Mr. President?

SENATOR CUDABACK: None, Senator. I'm sorry.

SENATOR MINES: Thank you very much.

SENATOR CUDABACK: Senator Beutler, followed by Senator Smith and others.

SENATOR BEUTLER: Senator Cudaback, members of the Legislature, let me back up a little bit, in the sense that I oftentimes seem to get into a topic without indicating generally where I stand on the whole matter. I think this is a good bill. And there are some balances here that are going on that I think we all should talk about. Because one day, some of your...if this bill passes, some of your constituents are going to come and say, well, why didn't we get to vote on that; we usually get to vote on that. So you...we all best be understanding the bill and how

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it functions and what's going to happen. Secondly, I'm trying to get us to enlarge our view of this matter, and to see if there is any really good reason why this should not be massaged or expanded in certain ways so that it affords an equal benefit to Lincoln and Omaha and some other places that work in different ways with different kinds of political subdivisions. Because I don't think there should be any good reason not to think more expansively about this bill. Senator Schimek, I wanted to ask you, you made the remark that if we put storm water back in this bill, that it would attract some opposition. Can you tell me who that opposition would be? Because I want to talk to whoever think this relates to the natural resources district bill, unless they're afraid we're going to lop on some kind of fee amendment, once it gets on Select File, or that sort of thing. But I hereby pledge, no attempts at fees or any sort of additional relationship to LB 102, which is in the Natural Resources Committee. But there is no logical reason. This is property taxes we're talking about. There's no logical reason why we shouldn't be expansive in terms of the institutions we deal with to cover the situations that pertain in many other areas, or with the standard type of local improvements that characteristically are paid for out of property taxes. Senator, you shook your head. And I guess I took that as the answer. But let me give you a chance to speak.

SENATOR CUDABACK: Senator Schimek.

SENATOR SCHIMEK: Thank you. Thank you, Senator Beutler. And, Senator Beutler, maybe I misread the tea leaves. All I know is, when the bill was being discussed and heard, there were a lot of lobbyists in the room that were just observing and, afterwards, I was told that it had to do with that issue. Now, maybe I misjudged. Maybe they were in favor of retaining that issue, rather than getting rid of that issue. I probably spoke a little bit off the top of my head, and I'm not sure I was interpreting the data correctly. (Laugh) So I'm glad you gave me the opportunity to respond.

SENATOR BEUTLER: Thank you, Senator. I also wanted to respond quickly to a statement which was made that indicated that perhaps the NRD didn't have any projects that were properly

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scaled to a \$5 million scheme. But to the contrary, especially when you think of the bill's provision that allows for small partners, big partners, small partners, I believe, Senator Flood, if I'm remembering correctly, the second...you can have second or third or fourth partners in these projects. Is that not correct?

SENATOR CUDABACK: Senator, you may continue.

SENATOR FLOOD: Right, Senator Beutler.

SENATOR BEUTLER: Okay. So if you have an NRD who's a second partner, second-largest partner, now they only have to come up with 25 percent of the debt payment. Is that accurate?

SENATOR FLOOD: If NRDs were part of this,...

SENATOR CUDABACK: One minute.

SENATOR FLOOD: ...they would in fact have to be at least assuming 25 percent of the total debt through bonds, yes.

SENATOR BEUTLER: If there are just two entities.

SENATOR FLOOD: If there are just two entities.

SENATOR BEUTLER: Okay. But if there are, like, three entities, and the NRD is the third one, maybe they could be in for 5 percent. Wouldn't that be accurate?

SENATOR FLOOD: That would be accurate.

SENATOR BEUTLER: Okay. Thank you. I'm just attempting to point out that an NRD can be a partner in a number of different ways, and at different scales. So I don't think it makes sense to say that the bill is not properly scaled for their involvement. But I would still like to talk about the caps. And I think I will wait until my next time to speak to reengage on that particular subject.

SENATOR CUDABACK: Thank you, Senator Beutler. (Visitors

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introduced.) On with discussion, Senator Smith.

SENATOR SMITH: Mr. President, I would respectfully call the question.

SENATOR CUDABACK: Senator Smith, I did not understand you.

SENATOR SMITH: Question.

SENATOR CUDABACK: The question has been called. Do I see five hands? I do see five hands. The question before the body is, shall debate cease on the committee amendments, AM0278? All in favor vote aye; opposed, nay. Question before the body is, shall debate cease? Have you all voted on the question? There's been a request for a call of the house. All in favor of the house going under call vote aye; opposed, nay. Record please, Mr. Clerk.

ASSISTANT CLERK: 27 ayes, 0 nays to go under call, Mr. President.

SENATOR CUDABACK: The house is under call. All unauthorized personnel please leave the floor. Unexcused senators report to the Chamber. The house is under call. Unexcused senators, please report to the Chamber and check in. Senator Beutler, would you check in, please? Senator Mines, Senator Chambers, Senator Synowiecki, Senator Thompson, Senator Aguilar, Senator Stuhr. Senator Wehrbein, check in, please. Thank you. The house is under call. Senator Aguilar, Senator Synowiecki, Senator Chambers, and Senator Stuhr. Senator Synowiecki and Senator Chambers. Senator Aguilar. Thank you. Appreciate that. Senator Aguilar, the house is under call. Senator Smith, for what purpose do you rise?

SENATOR SMITH: Is it in order for us to proceed and take call-in votes?

SENATOR CUDABACK: You can do call-in votes. You can...you have call-in votes or roll call. That's two options. Have you authorized call-ins, Senator Smith? There's been a request for a roll call vote. Did you wish to proceed without Senator

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Aguilar, Senator Smith?

ASSISTANT CLERK: Senator Aguilar.

SENATOR CUDABACK: It's a roll call vote, Senator Aguilar, and the question is, cease debate.

ASSISTANT CLERK: (Roll call vote taken, Legislative Journal page 789.) The vote is 31 ayes, 7 nays to cease debate, Mr. President.

SENATOR CUDABACK: Debate does cease. Senator Schimek, you're recognized to close.

SENATOR SCHIMEK: Thank you, Mr. President and members. The vote is on the committee vote, and the committee amendment...the vote is on the committee amendment. The committee amendment says that we would take out the storm water provision and the natural resources district. These are found on page 2 and 3 of the bill. I don't traditionally vote to close debate, especially if there are still some people who want to debate. But I would remind you that there is another amendment coming up, that we will have more opportunity to debate the bill. So I don't want anybody to feel foreclosed from this discussion. At this point, I would just like you to adopt the committee amendment, and then we can discuss it more at length, if you wish, on the Flood amendment, which does contain the committee amendment. I think it would be cleaner just to go ahead and adopt the committee amendment. Thank you.

SENATOR CUDABACK: You've heard the closing, adoption of the committee amendments. The question before the body is adoption of AM0278, the Government, Military and Veterans Affairs Committee, to LB 217. All in favor vote aye; opposed, nay. Voting on the adoption of the committee amendments offered by the Government, Military and Veterans Affairs Committee to LB 217. Have you all voted who care to? Record please, Mr. Clerk.

ASSISTANT CLERK: 42 ayes, 1 nay on the adoption of committee amendments, Mr. President.

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SENATOR CUDABACK: Committee amendments have been adopted. I do raise the call. Mr. Clerk, items for the record?

ASSISTANT CLERK: Mr. President, I do. Your Committee on Education reports LB 326 advanced to General File; LB 47 to General File with amendments; LB 579, General File with amendments. I have a report from the Education Committee on the appointee to the Board of Educational Lands and Funds; a motion by Senator Schimek that LB 53 become law notwithstanding the objection of the Governor. Senator Cunningham is announcing that Business and Labor has designated LB 739 as a committee priority bill. And Senator Schrock has LR 8CA as his personal priority bill. New bill. (Read LB 675A by title for the first time.) Amendments to be printed by Senator Beutler to LB 217. A series of reports of bills placed on Select File: LB 626, LB 639, LB 306, LB 259, LB 476, LB 501, LB 762, LB 319, LB 78, LB 331, LB 453, LB 534, LB 320, LB 396, LB 754, LB 475, LB 380, LB 503A, LB 306A. Senator Pedersen would ask to add his name to LB 128 and to LB 512 (sic). (Legislative Journal pages 790-794.)

Finally, Mr. President, a priority motion: Senator Preister would move to adjourn till Thursday, March 10, 9:00 a.m.

SENATOR CUDABACK: You've heard the motion to adjourn, Thursday morning at 9:00 a.m., March 10. All in favor of the motion say aye. Opposed to the motion, nay. We are adjourned.

Proofed by: J. Hurlbut