Adam Weinberg, joined by Jim Vokal, introduce the webinar. Weinberg states that everyone is just one week away from the extended deadline for many tax issues.

Vokal introduced Senator Lou Ann Linehan. Vokal states that property tax reform has been at the top of Sen. Linehan’s agenda for a number of years. Vokal asks why property tax reform is so important to Nebraskans.

Sen. Linehan stated that the tax burdens in the state are far too high, calling Nebraska a high tax state. Sen. Linehan stated that taxes need to be equitably distributed across various levels and industries. Sen. Linehan said that the Legislature should not be pitting industries against each other. Rather, the Legislature must find a way to move all industries forward. Property taxes are critically important and way too high in Nebraska.

Per the Tax Foundation slide, Nebraska is around 40th regarding good places to life for taxes. The surrounding states are “much significantly less.” Colorado, Wyoming, South Dakota, etc. have lower tax burdens. Nebraska pays [1855/100000](tel:1855/100000) in property, whereas Colorado pays [607/100000](tel:607/100000). Hard to make the argument that you should stay in Nebraska when the burden is that high.

Sen. Linehan’s constituents are well aware of the high burdens imposed because of property taxes because most of the residents have moved there from other states and are shocked at the tax level.

Vokal stated that Nebraska is the 7th or 8th highest in terms of property tax rates. Nebraska also has increasing housing prices.

Sen. Linehan stated that many surrounding states don’t have income taxes, yet Nebraska has both high income taxes and high property taxes. Broadening the sales tax base was a non-starter. The Governor did not support the idea. It faced significant opposition and only garnered 23 votes.

LB1106 will be the vehicle through which Sen. Linehan attempts to pass property tax reform. LB1106 will lower valuations for schools and increasing state funding. The schools will be left where they are today in terms of funding. One reason why property tax rate are so high is because state aid to schools is low. When cost of living is taken into account, the state is about 12th or 13th in the country for funding per student. Still, the state aid is not a lot. Nebraska is 48th or 47th nationally for state funding. Sen. Linehan stated that Nebraskans believe in public education, but the state is not picking up its fair share.

Agriculture, commercial, and residential will see decreases. As for ratios over three years, agriculture would go from 75 to 55 and commercial and residential would go from 100 to 87.

The group is still looking for 33 votes. What are the main objections to the bill?

Many of the objections come from a lack of understanding. This is not the bill from January or last year. Also, people are resistant to change. Everyone agrees that property taxes are too high, but the fear of “new” is what keeps this from being resolved.

There is a huge difference in the amount of state aid that schools get. Some large schools get about 50% of their funding from the state. Smaller schools receive much less. Most Nebraskans don’t find that fair. Some schools receive 10k per student, while others in western Nebraska may only receive 1k.

Are there spending lid provisions? For the first three years, the spending constraints are the same that they are now. $1.05 limit on levy (not including bonding). In year 4, spending cannot go up more than 2% over the prior year. There has been talks about if that number needs to go to 3%, or maybe what the state spent the year prior. Right now, the state is at 2.5%.

When factoring in the cost of living, what can be done to control local spending? Senator Linehan states that Nebraska has a lot of government and that it could be curtailed in future years. A group should come together and examine how the state can get by with less government. Sen. Linehan stated that services need to be studied, perhaps by the University of Nebraska. The state needs to be more aware of spending and the number of entities that can levy property taxes. Today, you can have a levy limit, but if you don’t have valuation caps, you can have a runaway.

The audience asks what Foundation Aid is. Sen. Linehan states that TEEOSA is equalization aid. If you don’t have equalization aid, you will go to court and lose. The courts have decided that school systems can be disproportionately funded so that one gives students a much better education than another.

Omaha is highly equalized. In addition to equalization aid, every student would receive a specific amount from the state. It would be 15% of the state’s net revenue divided by the number of students.

Should Nebraska have 93 school districts. Is school consolidation an option? There are some schools where merging seems appropriate. There are many reasons why that is not happening. Some schools next door have levies that are double. You won’t see people wanting to move to that proposal.

Will LB1106 be tied to the incentive package? Sen. Linehan and Speaker Scheer on are on board with that, but not enough people have been convinced. Sen. Linehan does not believe that any of the big three bills have 33 votes on their own. Senator Linehan believes that the state needs an incentive bill along with property tax relief. Senator Linehan has had trouble convincing the other senators but believes that it will be easier when the Legislature reconvenes.

Has there been any opposition from schools? Sen. Linehan has not met with the schools since the Legislature recessed. There is a concern equalized schools do not have enough money to do both. The Sen. does not know the concerns of the smaller schools. All school districts have different situations. The bill is complicated because there are over 240 school districts. Many have levies ranging from $0.40 to $1.20. Douglas County won’t merge its seven school districts to have one for the whole county. The Sen. does not see Elkhorn or Bennington merging. In greater Nebraska, one school district is at $1.15 sitting next to a district at $0.40. The current system is broken. Primarily, it is fear. People understand what they have, and they are afraid of new.

Is there a plan B if the schools do not get on board? The Sen. does not see an alternative. The Sen. believes in public education, but the Sen. stated that education can’t trump other aspects of the state, such as the ag economy or the business culture. Investments need to be protected. The Legislature needs to focus on providing education when it is not at the expense of peoples’ livelihoods.

Why is property tax reform important during the pandemic, and how does tax conformity with the CARES Act affect property tax reform? The Sen. stated that the state will not come in too far below last year’s budget. Most of the money isn’t gone, it has just been moved to being collected at a later day. The state is not going to come in much lower than the certified budget, but it may not make the amount into the rainy day fund. The Sen. stated that she does not think that the fiscal picture is that bad. Sen. Groene and others have stated that people are spending. The numbers, at this time, indicate that property tax reform is possible. If property tax reform was important before the crisis, it is surely important now.

Is there a fallback, such as putting more money in the property tax credit fund, if LB1106 fails? The Sen. does not have that plan. The Sen. stated that the fund is bad. It is bad policy because it does not slow down spending. Property taxes go up faster than property tax credit does. It is very helpful for some, but it is not for others. A person paying a $0.50 levy gets back as much as a person paying a $1.50 levy.

Is the Governor on board with the bill (a question from the Revenue Committee). The Governor is supporting.

Can the Sen. explain the component of reducing the building fund for schools from $0.14 to $0.06. There is a concern that has been brought by taxpayers. The building fund is supposed to be used for repairs, not construction of new buildings. Some districts have had bond issues fail, and they have gone ahead and used the building fund to get what they want done. There should be a vote of the people if the citizens are going to be put in debt.

LB159, from the Revenue Committee, would freeze valuations for three years. Is this a potential plan B? The Sen. states that the plan sounds wonderful but that it would be very hard on the schools. The school formula tax into considerations the valuations of your property. So, you would be freezing everything as it is today. That doesn’t help non-equalized districts. The Sen. does not think that it is a good plan but does think that it should be looked at closely.

The Nebraska constitution assigns the responsibility to providing free K-12 education to the Legislature. Has the Revenue Committee explored taking away local taxing power? The Platte Institute has been kicking the idea around. The Sen. and the Revenue Committee has not. The spending is around $4 billion per year (General Fund). The state does not have the money to do that. A great number of Nebraskans aren’t willing to give up local control.

The Property Tax Credit Fund puts out $275 million per year. Does the state need to overhaul the entire tax structure? Why is the money not being used for systemic property tax reform? The Sen. stated that there needs to be complete overhaul, but that the state needs a plan that takes into account all taxes before the next governor or next legislature is willing to take away the property tax credit fund. The state has done a good job controlling growth and spending.

If you have foundation aid from the state, does that count towards resources in TEEOSA, which results in less equalization aid? It would count as a resource, but the district would not receive less in equalization aid.

How does a state mandate affect school spending? State mandates are usually things that the school district must do. The K-3 reading bill is a state reading bill, but that needs to be done. The mandates save money.

The Sen. and Sen. Ben Hansen have been working towards amending LB103 to include truth and taxation law in Nebraska, increasing transparency. What is that? Sen. Hansen’s bill states that if taxes are to be raised, you need to send notification for increased levies. If valuations go up, that doesn’t have to mean that taxes will go up.

Can Zoom help facilitate public participation in meetings? The Sen. stated that she is all for public participation and that meetings should not be held during the workday. The Sen. should be on Saturday’s preferably.

What is the annual value of the 25% preferential valuation discount on ag land? What is the opportunity cost? The Sen. does not know. NE taxes ag at a higher rate than all surrounding states. NE is the highest around. Agland property tax rates are vastly different among neighboring states. Colorado is at .32%, Iowa is at 38%, Wyoming is at .28%. Nebraska is at .94%. Ag producers in the state are at a huge disadvantage. Ag is very important to Nebraska. If ag fails, 170 schools will need to be supported by the state. Ag cannot be overburdened.

Has the Sen. heard anything about a lawsuit concerning equalization state aid regarding property taxes? The Sen. has heard a lot about what the state can’t do because the people will sue. The Supreme Court has historically said that it is up to the Legislature. The Sen. does not think that it is likely.

Taxes need to be lowered, but what services need to be eliminated. The Sen. does not believe that services need to be eliminated. Public spending needs to be aligned with private ability to pay. The state needs to do more with less and has to slow down the increases. In 2009, business owners had to get more efficient. The public sector needs to do the same.

Is coming up with a new source of revenue an option? Last year, only 23 votes could be garnered on that. The state has the money to do this. There is revenue; the state needs to adjust increases to be not so much.

Citizens don’t attend school board budget hearings. How can the numbers be made more comprehensible for people? Often, the numbers are used in such a way as to discourage public participation. The Sen. believes that is it is complicated. The issues are complicated and difficult to understand. School officials are not making it difficult to follow on purpose. However, the state needs transparency on what schools receive form the state. There are a 100 million in the homestead exemption. The state has apportionment. There is a lot of state funding going to the schools. There are a lot of school districts that are getting significant funding and many that are getting very little. Most Nebraskans would be quite surprised about how much the state gives to schools.

Nebraska is woefully uncompetitive concerning taxes. Will broadening the tax base be possible in 2021, and what about a consumption tax? The Sen. stated that the consumption tax is too different. It will take a lot of education for people to think that it is a good idea. The economy has changed significantly since the 1960s. Money is now spent on services and not on things. If you are going to broaden base in one area, the other taxes need to be addressed. The Sen. stated that she is concerned that the state is willing to broaden bases without cutting other taxes.

The Governor would be happy to lower taxes.

How do states like Wyoming or Texas fund school systems, given that they have lower property taxes? Does Nebraska lack resources to tax? Wyoming will face many challenges. Gas prices and oil will cause some states to have problems because they are purchasing things with other peoples’ money. The pandemic has proved that Nebraska cannot depend on tourism or oil and gas. A lot of the speculation regarding budgets across the is not applicable to Nebraska. Insurance and banking is essential to Nebraska. Food processing is essential.

How does the state have the money to do property tax reform? The state will not know until the forecasting board meets. As of now, the $275 million has mostly disappeared because income tax collection has been pushed back. What was in the budget, is still in the budget. The state will come close to the certified forecast. The surplus was never going to pay for this. The surplus, by law, was always going to the rainy day fund.

Is property tax relief associated with the gambling petition the answer? The Sen. does not know what happens with the petition. The Sen. stated that more conservative people are ready to give in to gambling. It will be an interesting Fall if that issue is on the ballot. The Sen. stated that there are prominent people in the state that vehemently disagree with gambling.