

Transcript Prepared by Clerk of the Legislature Transcribers Office  
Revenue Committee February 15, 2024  
Rough Draft

**LINEHAN:** My name is Lou Ann Linehan. I serve as Chair of this committee. I'm from Elkhorn, Nebraska, and represent Legislative District 39. The committee will take up bills in the order that they are posted outside the hearing room. Our hearing today is part of your legislative process. This is your opportunity to express your position of proposed legislation before us today. We do ask that you limit handouts. If you are unable to attend the public hearing, we would like your position-- excuse me. If you are unable to attend a public hearing and would like your position stated for the record, you may submit your position and any comments using the Legislature's website by 8 a.m. the day of the hearing. Letters emailed to a senator or staff member will not be part of the permanent record. If you are unable to attend and testify at a public hearing due to a disability, you may use the Nebraska Legislature's website to submit written testimony in lieu of in-person testimony. To better facilitate today's proceedings, I ask that you follow these procedures. Please turn off cell phones and other electronic devices. The order of testimony is introducer, proponents, opponents, neutrals, and then closing remarks. If you will be testifying, please complete the green form and hand it to the committee clerk when you come up to testify. If you have written materials that you would like to disseminate-- distribute to the committee, please hand them to the page to distribute. You will need 10 copies for all committee members and staff. If you need additional copies, please ask the page to make copies for you now. When you begin to testify, please state and spell your name for the record. Please be concise. It is my request that you limit your testimony to 3 minutes. We will use the light system. You'll have 2 minutes on green, 45 seconds on yellow and then 15 seconds-- excuse me. Red means you have 15 seconds to wrap up. If your remarks were reflected in previous testimony, or if you would like your position to be known but do not wish to testify, please sign the white forms in the back of the room and it will be included in the official record. Please speak directly into the microphone so our transcribers are able to hear your testimony clearly. I would like to introduce committee staff. To my immediate left is legal counsel, Charles Hamilton. To my left at the end of the table is committee clerk, Tomas Weekly. Now we'd like committee members with us today to introduce themselves, beginning at my far right.

**KAUTH:** Kathleen Kauth, LD 31, the Millard area of Omaha.

**MURMAN:** Dave Murman, District 38, from Glenvil. I represent 8 counties along the Kansas border, mostly in the southern part of the state.

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**BOSTAR:** Eliot Bostar, District 29.

**von GILLERN:** Brad von Gillern, District 4, west Omaha.

**DUNGAN:** George Dungan, District 26, northeast Lincoln.

**MEYER:** Fred Meyer, District 41, central Nebraska.

**LINEHAN:** And if our pages would please stand so people can see you. So today we have Mia. She's at UNL studying political science and Collin who's at UNL and criminal justice. Please remember that senators may come and go during our hearing, as they may have bills to introduce in other committees. Please refrain from applause or other indications of support or opposition. For our audience, the microphones in the room are not for amplification, but for recording purposes only. Lastly, we use electronic devices to distribute information. Therefore, you may see committee members referencing information on their electronic devices. Be assured that your presence here today and your testimony are important to us and a critical part of our state government. With that, we will open on LB1217. Senator Bostar. Good afternoon.

**BOSTAR:** Good afternoon, Chair Linehan, fellow members of the Revenue Committee. For the record, my name is Eliot Bostar. That's E-l-i-o-t B-o-s-t-a-r, represent Legislative District 29, here today to present LB1217, legislation to address and correct several issues surrounding affordable and rent-restricted housing. LB1217 proposes tax exemptions and valuation methods for some of the most unique and critically important classes of property in our state, including skilled nursing, nursing facilities and assisted living facilities, student housing operated by charitable organizations, land use restricted housing, and sale restricted housing. Our state's elderly population is growing rapidly, increasing by 27% from 2009-2019 to over 312,000 persons past the age of 65. Nationally, every day until 2030, 10,000 baby boomers will turn 65. The already constrained housing pressure for Medicaid beneficiaries is only going to increase in the coming decade. It should be no surprise when I tell you that our state is in the midst of being transformed into a care desert as nursing facility after nursing facility closes its doors to some of our most vulnerable citizens. These care deserts are enveloping rural Nebraska at a rapid pace, and without action, they will stretch across the entire state. Nebraska nursing homes are strangled by staffing shortages and lagging Medicaid-- and lagging Medicaid payments. According to Kierstin Reed, CEO of LeadingAge Nebraska, 15% of Nebraska nursing homes have closed since 2018. LB1217 seeks to mitigate this growing threat by creating a

property tax exemption for skilled nursing facilities, nursing facilities, assisted living facilities that provide housing for Medicaid beneficiaries, equivalent to the average percentage of beds housing Medicaid beneficiaries at the facility. This exemption will increase the availability and viability of offering Medicaid beds, which are provided at a discount rate compared to the open market. Additionally, this tax exemption will also indirectly increase the availability of market rate beds for providers who can enjoy economies of scale at their facilities. Housing in general is in short supply across our state, and student housing is no exception. As the cost of student housing increases, the cost of education is becoming out of reach of hardworking Nebraska families. Moreover, increased student housing costs push more students into housing that traditionally would have been available for workforce housing and low- and middle-income housing, driving up housing prices in an already strained market. LB1217 proposes to address the increased housing and educational costs by creating a property tax exemption for charitable organizations operating student housing, equivalent to the square footage of the common areas of the housing. Reducing the tax burden to charitable organizations providing housing will immediately reduce housing costs to students and families. In addition, as more students become willing and able to reside in dedicated student housing, the housing market will open up for Nebraska's working families. Nebraska has a shortage of affordable homes for low-income households, with only 77 units affordable and available in 2023 for every 100 renters with incomes at 50% of the area median, according to the National Low-Income Housing Coalition. Land use restricted housing, commonly referred to as Section 42 housing, plays a vital and important role in ensuring access to affordable housing throughout our state. In its simplest form, Section 42 refers to a federal program that incentivizes development of affordable housing projects by offering developers tax credits in exchange for entering into land use restriction agreements with the federal government that ensure below market rents for renters whose gross income falls significantly below the area's median gross income. Due to the compelling need for this type of housing, the Legislature previously adopted special valuation methods to address the unique nature of these projects. Unfortunately, initially undetected flaws in the valuation methods contained in the existing statutory provisions became amplified over time, leading to zero and sometimes negative valuations on certain projects due to fluctuations in income and expenses. LB1217 addresses these issues by averaging income and expenses as they become available, producing up to a 3-year rolling average for purposes of calculating valuations.

Sales-restricted housing is a form of shared equity home ownership that can take on a number of forms. One common form with which you may be familiar is referred to as a community land trust. In a community land trust, the trust purchases or is granted land within a community to provide affordable housing. The trust then sells a home to an eligible buyer, subject to deed restrictions or land lease agreements. Ultimately, homeowners can sell their properties according to a formula that balances the need to maintain the affordability of the home with the seller's need to build wealth through homeownership. The nonprofit organizations that develop affordable housing often use government philanthropy to finance a portion of the development cost. By applying sales restrictions, it ensures these funds have a perpetual public benefit. Similar to the longstanding special valuation of Section 42 housing, LB1217 proposes to apply a special valuation method in recognition of the limited marketability of this housing due to the explicit restrictions imposed on these properties. We all know that our state is faced with a staggering lack of affordable housing. In response-- in response to this incredible need, it is imperative that Nebraska incentivize development of novel approaches like community land trust to ensure that hardworking families can achieve the good life of home ownership. Before you is AM2348, which primarily addresses sales-restricted housing in Section 5. The amendment limits the use of these-- of this special valuation method to only properties first held by a nonprofit such as Habitat, NeighborWorks, or any other local community foundation that sells a home to an individual who is low income. The restriction must run for a minimum of 20 years, and that restriction must limit the sale of the property to another individual who is low income. The other change in the amendment deals with the assisted living nursing home that clarifies the exemption percentage shall apply to occupied beds. LB1217 seeks to address Nebraska's housing shortage with a variety of approaches. This legislation will make a meaningful impact on student housing, low-income housing, low-income homeownership, and housing for Medicaid beneficiaries across our state. I'll be followed with testimony by individuals who can share more information, provide additional perspectives on why these changes are needed. I thank you for your time and attention. I'd be happy to answer any initial questions.

**LINEHAN:** Thank you, Senator Bostar. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you, Senator Bostar. The-- forgive me for trying to catch up to speed here as we're going through this-- the-- I'll get

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back to the skilled nursing facilities-- the property tax exemption for buildings that are owned by charitable organizations, would those not already be property tax exempt, at least in most cases?

**BOSTAR:** Correct. These are not property tax exempt current properties.

**von GILLERN:** OK. Which would-- give me-- give me some examples if you could.

**BOSTAR:** So any property that is in an-- in an arrangement with the university to provide student housing and is run by a nonprofit. So that could be like, like Greek housing, for example.

**von GILLERN:** OK.

**BOSTAR:** They're paying property taxes. So what the bill would do is it would-- it would remove common areas from that, that tax formula.

**von GILLERN:** OK.

**BOSTAR:** So they're paying it on the rooms that are being occupied and effectively rented but then not common space.

**von GILLERN:** And a lot of those are privately owned. They're nonprofits, but they're still privately owned by development groups.

**BOSTAR:** Sure. They're nongovernment organizations.

**von GILLERN:** [INAUDIBLE] OK. And then I guess the same question would apply to nursing facilities. Some of those are-- generally those are nonprofit but quite often privately owned.

**BOSTAR:** Correct.

**von GILLERN:** OK. And then lastly, the same with low-income housing tax credit housing.

**BOSTAR:** Section 42?

**von GILLERN:** Ye--

**BOSTAR:** So Section 42 housing--

**von GILLERN:** Reference to the LIHTC programs.

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**BOSTAR:** Yeah. Yeah. So Section 42 housing is already in our statutes right now. We have special valuation provisions that have been adopted for a while. One of the reasons why this bill is necessary is because those statutes have run into some legal challenges.

**von GILLERN:** OK.

**BOSTAR:** And so there's-- and there'll be folks who can speak more to the ongoing litigation around that. But this bill aims to resolve some of the legal challenges that exist in this space.

**von GILLERN:** Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Other questions? Other questions from the committee? You mentioned percentage of Medicaid beds when it came to the nursing home, because there are some very successful nursing homes that are quite nice and I don't think they have a lot of Medicaid beds.

**BOSTAR:** Correct.

**LINEHAN:** What percentage are you talking about?

**BOSTAR:** So you would get a, a property tax break essentially based on the share of your population that is Medicaid waiver.

**LINEHAN:** So how would that work?

**BOSTAR:** So if 20% of your beds are occupied by Medicaid residents, you would get a 20% break on valuation on your-- on your facility valuation.

**LINEHAN:** But are nursing homes-- are they-- are they-- is their valuation based on their income model or is that up to the county? I know you've had this other bill with the problem with [INAUDIBLE].

**BOSTAR:** Yeah. I'm trying not to conflate this. We're-- it seems as if the other bill is probably not going to pass.

**LINEHAN:** OK.

**BOSTAR:** Which I understand.

**LINEHAN:** OK.

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**BOSTAR:** This will help address some of the extraordinary challenges we're facing.

**LINEHAN:** So--

**BOSTAR:** Basically, the whole-- the whole premise of the, the entire legislation is looking at property that are being taxed as if they are able to participate in the open market freely and they're not. So either rent-restricted housing where they legally can't accept market rents, sales-restricted where the value of the home is suppressed because it can't be sold for very much or if you're providing, you know, nursing services in a residential setting, if you have a lot of Medicaid patients, you're getting below market rents. So in all these cases, we're talking about how do we value property that is inherently restricted from an income side.

**LINEHAN:** This is a lot of property statewide. It'd be a lot, right?

**BOSTAR:** I, I--

**LINEHAN:** And then I just, just, just another question and then we'll move on. I forget last [INAUDIBLE].

**BOSTAR:** A lot of this is already covered in statute in some ways--

**LINEHAN:** OK.

**BOSTAR:** --in ways that are now falling apart. But--

**LINEHAN:** OK.

**BOSTAR:** --this isn't-- this isn't all new.

**LINEHAN:** OK. And there are-- there are some nonprofits that have purchased a lot of property in Omaha, I know, for instance-- that's what I know best-- that's just sitting there. Would that be-- would it affect any of that? Because when you say nonprofit, it gives me some pause is that there are a lot of nonprofits.

**BOSTAR:** No, I think-- so you would have to be participating in a-- in a housing program like Section 42, or you would have to have deed restrictions on the sales-restricted side--

**LINEHAN:** OK.

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**BOSTAR:** --where attached to the property, it's saying that you-- and you have restrictions on how you can sell it,--

**LINEHAN:** OK.

**BOSTAR:** --limiting your potential income. So it's-- this wouldn't just say, OK, if you're a nonprofit and you're holding property, you don't have to pay property taxes anymore.

**LINEHAN:** OK.

**BOSTAR:** That's not what we're doing here.

**LINEHAN:** OK. All right. I don't see any other questions. So thank you very much. First proponent. Good afternoon.

**WARD F. HOPPE:** Chairman Linehan, members of the committee, my name is Ward F. Hoppe, W-a-r-d F H-o-p-p-e. I'm here on behalf of myself; Omaha, Lincoln and Nebraska State Chambers; Home Builders Association of Lincoln; Metro Omaha Builders Association; and the Nebraska Bankers. We-- Hoppe Homes and Hoppe Development developed and operate a number of low-income housing tax credit projects. We got 18 projects, over 900 units across the state. We have 7 projects in Lancaster County for 390 units. I speak to the provisions of LB1217 that talk about valuation of income-restricted, low-income tax credit properties. All low-income tax credit properties are different. They're unique. All of them have land use restriction agreements which express the unique requirements of a property, both restrict-- restricting rents and mandeck-- mandating amenities provided to tenants. If they burn down, they must be replaced under the same program rules. As an example of expenses, I have one project where I have a mental health counselor on site at my expense. Another I set aside \$50 a month as an expense per household for down payment assistance at the end of the program. Rents can be targeted to as low as 48% median income average. Most of my projects have first rights of refusal to a nonprofit at a formula price. Some, the tenants have first right of refusal and an option to buy their home. On account of these restrictions, the properties don't sell. Thus, there is no comparative sales approach for properties with land use restriction agreements. 77-1333 is the statute which this bill amends was passed several years ago to account for the valuation problems when there are no sales of LIHTC properties. 77-1333 valid-- values LIHTC properties at actual income minus actual expense capitalized at a rate set by the Revenue Department. Using actual income and expense recognizes the



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operation of a property and the uniqueness of that property. LB1217 is intended to make it very clear that land use restriction agreements is a restriction which must be taken into account in finding actual value of the property. The bill also includes averaging of income and expense for 3 years to avoid valuation anomalies of one large expense year. Last, as regards rent-restricted properties, the amendments to 77-1333 make it clear that at the end of the day, rent-restricted properties must be valued as restricted. We need LB1217 to fix property valuation of LIHTC properties and really to settle a dispute that the low-income property owners are having with Lancaster County, who last year in 2023 valued all the LIHTC properties at market rates, which in our case would take about 50% of our income to pay the taxes. That essentially will put, put all those LIHTC properties out of business and in, you know, and then that takes LIHTC-- takes the affordable property out of the market. Any questions?

**LINEHAN:** Thank you. Are there questions from the committee? Seeing none, thank you very much, Mr. Ward [SIC].

**WARD F. HOPPE:** You bet.

**LINEHAN:** Next proponent. Good afternoon.

**ANDREW WILLIS:** Good afternoon, Chair Linehan and members of the Revenue Committee. My name is Andrew Willis, A-n-d-r-e-w W-i-l-l-i-s. I'm an attorney with Cline Williams Wright Johnson & Oldfather here in Lincoln. I'm here today testifying in favor of LB1217. This bill accomplishes several important goals for affordable housing. I'm going to focus my testimony on the revisions to 77-1333, which provides the framework for the valuation of rent-restricted affordable housing projects. I've represented numerous affordable housing projects in these valuation protests in many counties across the state, and then appeals to TERC so I'm very familiar with the application of 77-1333. Again, as, as the statute was last really substantially amended in 2015, it, it basically the valuation is and income approach valuation, taking the actual rent and actual expenses of each project using a capitalization rate that is derived by the rent-restricted housing committee under the Department of Revenue and using those as the formula to, to value each of these affordable housing projects. That's based on the fact that because of the land use restriction agreement, each one of these projects is restricted in the amount of rents they can charge. So once this project is-- once a property is part of the Section 42 program, they are limited on the amount of rent they can charge. Now what happens is the expenses are not limited. In fact,

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they're much higher in these projects due to the supportive services, due to the extra compliance, due to all those things. And they fluctuate quite a bit from year to year. One of the problems that specifically this addresses is if you're looking at actual income expenses every year, your income stays the same, but your expenses go up and down. There's going to be these years where we have, by that formula, a zero valuation. That's probably the, the biggest issue that's caused this-- the need to make this change. That zero valuation obviously causes a concern for the county assessors when they're looking at that. What one of the-- one of the key features of this bill is the 3-year rolling average. Using the 3 years income and expenses, that should normalize out income, expenses; that should resolve that issue or-- and really make it better for both the projects and the counties, because you're getting a more normal, more stable valuation. Another key to this is that the bill specifically states that that LURA, that land use restriction agreement, is a restriction upon actual value that, that affects the actual value under, under 77-112. Again, think that was assumed, but that is a key feature to make sure that is clear so there's no argument, no dispute over that. So clarifying that in law is very important to keep us-- for this program. Another key feature of this, again, just an unintended or unforeseen consequence of this bill is if you look at actual income and expenses of a low-income housing project, what happens in year one? Well, they don't have the income and expenses from the year before. So what you have to-- so there's no income and expenses. And so what does a county assessor do? There's no way to follow that formula. This provides that the, the numbers that we use at NIFA to get into the program are used for year one. It's a crucial piece just to make sure that, that this-- the intent of the statute actually is fulfilled. I don't think I'm overselling this when I say it's-- it'd be-- it's a severe problem. It's catastrophic if we don't fix it for affordable housing across the state. I think I'm out of time, so I'm happy to answer any questions.

**LINEHAN:** Thank you very much, Mr. Willis. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you. I think you said it, but I may have missed it. Who defines the cap rate? How is the cap rate defined?

**ANDREW WILLIS:** There's a committee under the Department of Revenue, the rent-restricted housing committee. They meet each year. They look at all the available data for low-- for Section 42 projects across the state. And then they drive that specific cap rate. It's-- it can be--

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they can have it for specific counties versus regions, but they will. And then that's the cap rate that's used for all affordable housing projects for that year.

**VON GILLERN:** OK. Thank you.

**LINEHAN:** Thank you, Senator von Gillern. Other questions from the committee? Seeing none, thank you very much for being here.

**ANDREW WILLIS:** Thank you.

**LINEHAN:** Appreciate it. Are there proponents? Good afternoon.

**DAVID DERBIN:** Good afternoon. Good afternoon, Chair Linehan and members of the Revenue Committee. My name is David Derbin, D-a-v-i-d D-e-r-b-i-n. I'm appearing before the committee in my capacity as chief administrative officer for Lancaster County. I'm here to testify on behalf of the county in support of LB1217. I'll also be focusing on the Section 42 valuation. Assuring the availability of safe, quality, affordable housing is a top priority of Lancaster County. This era of historically low affordable housing stock is pricing hardworking families out of the housing market, and it is imperative that government policy support the development of affordable housing projects, including projects developed with the Section 42 low-income housing tax credit. Due to the compelling need for ensuring the expansion of affordable housing across our state, the Legislature previously adopted a special income approach valuation method, using actual income and expense data for the year to address the unique nature of the use restrictions placed upon Section 42 projects. Unfortunately, last year the county board was made aware that the valuation method contained in the existing provisions in some cases was producing unexpectedly low valuations, including zero and sometimes negative valuations, due to fluctuations in income and expenses in any given year. Following an order from TERC that authorized using a different valuation method for 21 of these properties, a county assessor then revalued these properties using a sales approach that did not account for the-- for these properties' use restrictions, leading to substantially increased property values. Ultimately it became apparent that the statutory process that was available to us threatened the future stability and viability of the rent-restricted housing market, with the potential for unpredictable and unsustainable increases in property taxes. LB1217 addresses these issues by rebalancing the statutory process. First, LB1217 addresses the annual variability in income and expenses that have been producing

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unexpectedly low zero and negative valuations by utilizing up to a 3-year rolling average for purposes of calculating valuations. Second, in individual cases where the statutory formula nevertheless produces a valuation that may be inconsistent with the actual value of the property, LB1217 provides that any specific property shall be revalued while still considering its character as a restricted housing project. We believe that LB1217 strikes the right balance by providing more accurate-- accurate initial value-- valuations for Section 42 projects while also allowing for individualized reevaluation on specific projects where needed. Although I'm focusing on Section 42, the other proposals in this bill pertaining to nursing facilities, student housing, and sales-restricted housing also are needed to ensure that other unique properties that are critical to the housing market are appropriately valued and incentivized. Take any questions.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you for being here, Mr. Derbin.

**DAVID DERBIN:** Thank you.

**von GILLERN:** Next proponent testifier.

**OAT WHITNEY:** Good afternoon. My name is Oat Whitney. That's O-a-t W-h-i-t-n-e-y. Thank you for this opportunity to speak in support of LB1217. I am Oat Whitney, the CEO of The Lexington Assisted Living Center, located at 5550 Pioneers Boulevard in Lincoln. We opened in 2001 with the mission to provide assisted living to very low-income elderly individuals. We used low-income housing tax credits to generate the equity to build The Lexington, which permitted us then to serve elderly individuals on the Nebraska Medicaid waiver program. We historically have had over 80% of our 102 residents on the Medicaid waiver program. County assessors traditionally have had difficulty establishing actual values for low-income housing tax credit properties. The Legislature fixed that problem in 2015 by passing Section 77-1333, requiring county assessors to use actual income and expense data received from each owner when valuing that owner's tax credit property. In 2023, the Lancaster County Assessor's Office believed that the actual income and expense procedure required by Section 77-1333 did not produce actual value as required by the State Constitution. In accordance with paragraph 10 of that legislation, the assessor was permitted to use significantly higher market rate and lower market rate expenses, higher market rate rent and lower market rate expenses to value 21 low-income housing tax credit properties. The assessed value for those 21 properties increased dramatically,

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some by as much as 400%. The Lexington's taxes for 2022 were approximately \$85,000. Our taxes for 2023 coming, coming due April 1 are \$329,000. The increase is \$244,000, which equates to about \$200 per month for each resident. This creates for us an existential problem. We can't pay increased taxes just by charging Medicaid residents more money, nor can we convert all of our Medicaid residents to private pay residents, certainly not in time to pay this year's taxes. LB1217 solves the tax assessment problem by restating the requirement that county assessors use actual income expense. It also clarifies the ambiguities in the current legislation that led to these increased valuations. So LB1217 helps solve problems with related to tax assessment. It also provides a tax exemption for any assisted living center serving Medicaid residents. The exemption is based on the percentage of assisted living apartments occupied by Medicaid residents. This recognizes that any significant increase in expenses, like COVID or our 2023 real estate taxes, cannot be passed along to Medicaid residents. They don't have the money. And moreover, the Medicaid program doesn't allow you to charge Medicaid residents more money. This must be passed this year. For us it's existential and others here. I'll ask-- I'll entertain questions. Sorry.

**VON GILLERN:** Thank you for your testimony. Questions? Senator Kauth.

**KAUTH:** Thank you, Vice Chair von Gillern. Hi, Mr. Whitney. And will LB1217 be able to be applied retroactively? So you've already gotten your tax bill. You owe \$300 and--

**OAT WHITNEY:** 29.

**KAUTH:** --\$29,000. Are-- will you be able to use this bill if it passes or are you going to have to wait until next year?

**OAT WHITNEY:** I don't-- I hope it will be retroactively applied. I don't see anything written in there, but we're working with Senator Bostar and, and the county commissioners to address that question.

**KAUTH:** OK.

**OAT WHITNEY:** But I don't see anything in the legislation here that says it'd be retroactive.

**KAUTH:** OK. But so for the next years going forward, it would be applied.

**OAT WHITNEY:** That's-- that seems correct, yes.

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**KAUTH:** Thank you.

**von GILLERN:** Other questions? Sir, I'll ask you a question. And if it's-- if it's not in your bailiwick, that's fine, but I'll tee it up for maybe a close question. The-- if the-- it seems the problem was with the appraisal process. And maybe that's where we're directing this whole conversation. Because truly, if an income-based appraisal was done properly, lower income would lead to a lower appraisal value. And being of a higher ratio of Medicaid beds, that would lead to a lower income for the cap rate analysis. So to see such a-- such a dramatic increase, obviously, and maybe I'm drawing the conclusion or restating what you've already stated, that somewhere this appraisal process as it's supposed to be done is that failing?

**OAT WHITNEY:** That's, that's correct.

**von GILLERN:** OK.

**OAT WHITNEY:** In 2022, the income that was used to get the \$85,000 tax rate, that's \$4.5 million assessed valuation. That income went from \$3,000 a month to \$5,500 a month, which is a market rate for assisted living, not for Medicaid assisted living, however. So he increased it that-- by that much and the expenses were, were used at 65% which was an apartment building kind of concept for assisted living and Medicaid, our expenses are 85%. So what you wind up with is a much bigger income number that capitalizes at a 9 cap, and you end up with \$19.6 million.

**von GILLERN:** OK. Thank you. Any other questions? Seeing none, thank you for your testimony.

**OAT WHITNEY:** Thank you.

**von GILLERN:** Next proponent.

**CARTER THIELE:** Thank you, Vice Chairman von Gillern and members of the Revenue Committee. My name is Carter Thiele, C-a-r-t-e-r T-h-i-e-l-e. I am the policy and research coordinator for the Lincoln Independent Business Association. Our organization represents a diverse group of local businesses, including home builders and developers, who are deeply invested in the economic vitality and affordability of housing in our community. We're aware of the recent challenges faced by Lancaster County in assessing Section 42 housing properties. The switch from an income-based model to a market rate model has resulted in monumental increases in property valuations, which threaten the

viability of affordable housing in our community. Without expedient legislative solution, we risk decimating the affordable housing market, not just in Lancaster County, but for the entire state. LB1217 provides the solution to this pressing issue. It proposes a fair and equitable method for assessing both rent-restricted and sales-restricted properties. It offers a balanced approach that takes into account the unique characteristics of these properties, by ensuring that their valuations are based on a comprehensive review of the property's financial solvency over time, rather than a single year's calculation. By supporting LB1217, we can ensure that Section 42 housing owners are not burdened with property taxes that exceed their rental income. This will protect the affordability of housing in our community and ensure that our local homebuilders and developers can continue to provide quality, affordable housing. We urge the Revenue Committee to support LB1217 as it represents a collaborative effort between local homebuilders, developers, the Lancaster County Board, and Senator Bostar to address a critical issue in our community. By supporting this bill, you will not-- you will provide, excuse me, a paramount solution that ensures a solvent, affordable housing market for Lancaster County and for all of Nebraska. Thank you. And I would be happy to answer any questions.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you, Mr. Thiele.

**CARTER THIELE:** Thank you.

**von GILLERN:** Next proponent. Good afternoon.

**RICK VEST:** Good afternoon, Vice Chair von Gillern and members of the Revenue Committee. My name is Rick Vest, spelled R-i-c-k V-e-s-t. I am appearing before the committee in my capacity as vice chair of the Lancaster County Board of Commissioners. I'm here to testify on behalf of the county board in support of LB1217. The Lancaster County Board is deeply committed to maintaining and supporting the availability of safe, quality, affordable housing in Lancaster County. At a time when home prices are rising and hardworking families are being priced out of the housing market, securing the viability of low-income housing stock is a clear necessity for our community. Section 42 housing is good for Lancaster County, and our board wants to make clear its commitment to the long-term continued success of Section 42 properties in Lancaster and across the state. LB1217 is the mechanism to maintain the long-term viability of Section 42 housing. Last year when the county board was made aware that the valuation method spelled out in

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the current statute in some situations was producing unexpectedly low valuations, including zero and sometimes even negative valuations, we gave the approval for the Lancaster County staff to petition the Tax Equalization and Review Commission to use a different method for valuation. Following the approval from TERC, the Lancaster County Assessor revaluated-- revalued those properties using a sales-based approach, effectively setting the valuations at the market value of similar properties that are not subject to long-term use restrictions. I want to be clear. While the Lancaster County Board does not-- does wish to see a resolution to these extremely low and zero valuations, it is our opinion that placing a value similar to the market value of an unrestricted property is not the desired outcome. LB1217, we believe, is the considered middle ground approach that resolves the concerns of both sides. A legislative correction is imperative not only to resolve the concerns of Lancaster County, but also to prevent county assessors across the state from switching to a sales-based approach in response to the problem of low, zero, or negative valuations. It has been communicated to Lancaster County that currently at least Box Butte, Cuming, Dakota, Douglas, Lincoln, Platte, Saline, Sarpy and York Counties are all watching the approach taken by the Lancaster County Assessor's Office, requiring a sales-based valuation. It's been shared with us that the Dakota County Board of Equalization has already petitioned the Tax Equalization Review Commission to use a different valuation method, rather than the one currently prescribed in statute.

**von GILLERN:** Can I get you to wrap up your comments, sir?

**RICK VEST:** Yeah. Thank you. I'd be glad to answer.

**von GILLERN:** Maybe there will be a good question.

**RICK VEST:** Boy, it read faster when I was at home.

**von GILLERN:** Yeah. It happens. It's a good tip for the rest of you. Don't, don't, don't leave yet.

**RICK VEST:** Oh, OK. No.

**von GILLERN:** Are there any questions from the committee? I just have a quick question.

**RICK VEST:** Sure.



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**von GILLERN:** Is-- does, does the Lancaster County Board, as a commissioner, do you have any authority over the assessor's office? Because you-- it's always interesting to hear a conversation like yours.

**RICK VEST:** Yeah, that is a great question, Senator.

**von GILLERN:** Thank you.

**RICK VEST:** And I think Senator Bostar might have better conver--

**von GILLERN:** OK.

**RICK VEST:** --but the truth is, they are elected officials. They run their own department, and we are, are-- we're limited in what we can do or say to them or authority so.

**von GILLERN:** Thank you for your testimony.

**RICK VEST:** Thank you for your consideration.

**von GILLERN:** Next proponent.

**ALEC GORYNSKI:** Good afternoon. Thanks for having me. My name is Alec Gorynski, A-l-e-c G-o-r-y-n-s-k-i. I'm the president, chief executive officer with the Lincoln Community Foundation here in Lincoln, Nebraska. As a father, I find myself playing bunny hop a lot with my kids. You know, we take a couple steps forward, take a couple steps backwards, a couple steps forward, couple steps backwards, and then eventually make some more significant steps forward. And I paint that picture because that kind of feels like how affordable housing has gone in Lincoln and in Lancaster County, and really throughout the state of Nebraska for the past few years. So it's slow and steady, but progress is made and it feels like you take steps forward and backwards. We've, as practitioners of affordable housing, we've identified the problem. We've elevated awareness among our colleagues. We have chamber and economic development and the Bankers Association, everyone rallying behind this cause of really, excuse me, for affordable housing. We've got-- we've invested in new partnerships and new programs, established new organizations, new tools. We've secured new funding. We've, ourselves, invested significantly. And while slow, we've made progress. And that progress is evidenced by the fact that here in Lincoln a few years ago, under the city's Affordable Housing Action Plan and in the Community Foundation's Prosper Lincoln, identified a need for 9,000 units of affordable housing for, for

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Lincoln low-income residents over a 10-year period. And we've made progress. Because of all of what I've described, we've arrived at a little over 1,800 and counting housing units. Nebraska similarly has made significant progress. The, the Nebraska Housing Action Plan, function of DED and NIFA have called for tens of thousands of affordable housing units for, for low- and moderate-income families, low-income families in particular. And that progress is at a risk of coming to an abrupt halt unless LB1217 is enacted. And I'm specifically referring to the rent-restriction and sales-restriction provisions around affordable housing, of course. And affordable housing, finance, rent and sales restrictions are essential. They create an environment that protect and assure that low-income families can benefit. And it protects us, the taxpayer, for-- to assure a permanent public good. I don't believe I'm being hyperbolic when I say that low-income housing tax credit development, the primary means of, of affordable housing finance and the-- from the federal government in particular, will come to an abrupt halt if the provisions in LB1217 or the current provisions aren't upheld through LB1217. Yesterday at the chamber luncheon, the Governor spoke about his goal of, of not being 49th out of 50 in terms of getting federal funds. And even more so he wanted to beat Oklahoma in getting federal funds. And certainly that goal isn't going to be realized if we're not able to protect our ability to leverage low-income housing tax credits and develop affordable housing for residents throughout Lincoln, Lancaster County, and Nebraska. Thank you for your time. Happy to answer any questions.

**von GILLERN:** Nailed it. Thank you for [INAUDIBLE]

**ALEC GORYNSKI:** Oh [INAUDIBLE].

**von GILLERN:** Any questions from the committee members? Seeing none, Thank you for your testimony.

**ALEC GORYNSKI:** Thank you.

**von GILLERN:** Next proponent.

**CHARLES WESCHE:** My name is Charles Wesche, C-h-a-r-l-e-s W-e-s-c-h-e. Distinguished members of the Revenue Committee, I am proud to be a staff leader at NeighborWorks Lincoln, a founding member of the NeighborWorks Lincoln Community Land Trust, and current manager of the South of Downtown Community Development Organization, their land trust portfolio. I represent both Community Land Trusts currently operating in Nebraska, and both are fully supportive of the property tax reforms

described in LB1217. At a most basic level, a community land trust or a CLT aims to sustain affordable housing and promote community development. It does this by separating the ownership of homes from the land they sit on, which is leased from the land trust. When a land trust home is resold, it is done at an affordable price to another low- or moderate-income family. CLTs are governed by a board comprised of community residents, civic leaders, and other stakeholders. This approach helps address housing affordability challenges, promotes equitable development, empowers communities to create and preserve affordable housing options for generations to come, and provides a better return on publicly funded construction subsidies. You can see photos of the properties currently held in the NeighborWorks Lincoln Community Land Trust portfolio in the packet you were just provided, and I anticipate this portfolio to double in the next calendar year. There are nearly 240 land trusts in 48 different states across the country, many that have utilized legislation like LB1217 to resolve a principal challenge to the CLT approach, which is property tax valuations. While land trust homes serve a vital role, they often face property tax assessments far exceeding their resale limits. For a land trust to function properly, owners need to pay taxes on the lesser of their assessment or their sales-restricted value. This is the only way to ensure that both the home and the associated taxes remain affordable. The targeted reforms included in LB1217 will strengthen our communities, promote economic stability, and improve the quality of life for individuals and families across the state by allowing municipalities to proactively create perennial affordability in their own housing markets. We ask that you advance LB1217. Thank you for your time and your consideration.

**von GILLERN:** Thank you for your testimony. Any questions from the committee members? Seeing none, thank you for being here. Next proponent. Good afternoon.

**REID GAHAN:** Hi. My name is Reid Gahan, R-e-i-d G-a-h-a-n. I'm currently acting as vice president for the NeighborWorks Community Land Trust. And I wanted to share some input from homeowners and residents of our land trust for what they've shared about this. When speaking to some homeowners that had recently moved in, when I introduced myself as a board member, the first thing that they asked me about was property taxes. They were thankful for the opportunity to purchase a home at an affordable price, but they already knew the possibility in the future of property taxes going to the point where they're unaffordable, especially considering the fact that they would not be able to realize the gains on a future home sale that would

accord with what the taxes were right then. And then additionally for future homeowners, and future people that we'd like to sell to. We currently have some properties that are valued at about \$70,000 more than what we are looking to sell them for, and they're actually impeding potential homebuyers from entering into the purchase process. They-- the houses are affordable for them. But then when you have to factor in the escrow for the additional taxation due to the current assessment process, they're actually not able to afford at that rate. And so both for current and future homeowners, they-- in order for the land trust to, to function effectively and properly for providing affordable, perpetually affordable housing, this is-- this is a change that both current and future residents and homeowners would need. Thank you.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you for your testimony today. Next proponent.

**PETER HIND:** Good afternoon. My name is Peter Hind, P-e-t-e-r H-i-n-d. I'm the director of urban development for the city of Lincoln. I'm here in support. I'm going to talk about need, what we do, and the impact. Research has determined in the city of Lincoln we have a need of 2,200 units to rent for less than \$550 a month, and 300-- 3,800 owner-occupied units should sell for less than \$200,000. We'll need to rely on both existing buildings and new construction to meet those goals. In 2018, the data show a need for 6,560 units of affordable housing. Our city goal is to create or rehabilitate 5,000 units of affordable housing over the next 7 years. There's approximately 300 new units under construction right now. And round one of our rental rehabilitation project we have completed 107 units, spending \$1.6 million. Round two starts this week and we already have 53 units committed. We're ahead of schedule. We also, for our TIF redevelopment projects, it's important to note we require a portion of the housing to be rent-restricted for the life of the TIF, 15 or 20 years. This bill gives clear, fair guidance and instruction to assessors for their approach to rent-restricted dwellings, to value them based on actual rental income realized and not market rate values. The significant redevelopment efforts of cities like Lincoln have a lasting impact on housing quality and availability for our residents. Lincoln's concerted efforts in this area are creating a diverse housing type, including satisfying statewide goals of missing middle housing through creative solutions and partnerships. Equally, developers who have accepted significant risk to help solve the issue of affordable housing will not be pressured to raise rents or cover increased tax burdens. Of even greater concern is the fact rental rate increases may

be legally barred in some developments. Assessing those properties at market rate values would result in a disproportionate and unexpected property tax burden, which could lead to insolvency or shifting of resources from maintenance to tax obligations. As projects slip into decline, quality will decrease, having negative impact on tenants. The net result would be plummeting valuations due to forced lack of funds and thus a reduction in tax revenue. This benefits renters and owners alike. I'll take any questions that you have.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you, Mr. Hind.

**PETER HIND:** Thank you very much.

**von GILLERN:** Next proponent, please.

**CAROL BODEEN:** Good afternoon, Vice Chair von Gillern, members of the Revenue Committee. My name is Carol Bodeen, C-a-r-o-l B-o-d-e-e-n. I'm the director of policy and outreach for the Nebraska Housing Developers Association. I'm here to testify in support of LB1217. We are a statewide organization with over 70 members from all across Nebraska. Our members include nonprofit and for-profit affordable housing developers, other nonprofit organizations, local governments, housing authorities, bankers and investors. This diverse membership is united in support for our mission to champion affordable housing in Nebraska. Thank you to Senator Bostar for bringing forward this legislation. We appreciate his willingness and efforts to legislatively solve this crucial valuation issue related to properties which have income restrictions and sales restrictions. These properties serve all our vulnerable, very low, low, and moderate income residents. There's not much that I can add that has not already been stated by the excellent testifiers before me, but we reaffirm the testimony of those who have already spoken on this issue. One related to the impact of a land use restriction agreement on a property. When it comes to the best way to value affordable rental housing for low-income residents, it is agreed that the income approach most closely results in the determination of an actual value. By adjusting this approach in Section 4 of LB1217 with the use of a 3-year rolling average, we feel that this income approach to valuation has been further improved. We also appreciate the guidance that has been added to assist in valuing the property during its first year, when an income history is not yet available. We are also pleased with the addition of 12-- LB1217 Section 5 related to sales-restricted housing, housing that is also subject to deed restrictions or land lease

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agreements. A home that is restricted as to how much it can be sold for or to whom it can be sold does not realistically have the same value as a home with none of those restrictions. This legislation would greatly benefit those low- to moderate-income homeowners who are part of these programs. Our desire is for Nebraska is that we continue to be a state that values safe, decent, and affordable housing for all residents. We appreciate your consideration and I'm happy to try to answer any questions.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you for your testimony, Ms. Bodeen. Next proponent.

**JUSTIN BRADY:** Senator von Gillern and members of the committee, my name is Justin Brady, J-u-s-t-i-n B-r-a-d-y. I appear before you today as a registered lobbyist for the Nebraska Realtors Association, for the Nebraska State Home Builders Association, and for Midwest Housing Equity Group, which is a finance partner in these restricted properties. I've had the opportunity for the last over a decade to work on properties like this. I was here and helped shepherd and watch pass in 2015 the original valuation method that is now in question. I can't stress to you enough from a statewide organization that the Home Builders and the Realtors the need for this bill. This bill needs not only for the counties to help give them direction on what to do, but to developers and builders the stability to actually step into this market. Right now, people are saying, I'm not going to do it anymore, and that's not good for the final people that need direction and that is the low-income residents of our state who do need the ability to either own homes or have apartments that they can rent and afford. And I know you've heard a lot about it from Lancaster County as Commissioner Vest at least referenced. I'm aware of 8 other counties that have at least either started this process or at least reached out to Lancaster County saying, now tell me what you did there. Tell me why we should do it different. So it is a statewide issue. It's not just a Lancaster issue. And, you know, I'll try to answer. You had asked the question about, you know, looking backwards. I think it's tough constitutionally at times for you all to sit there and forbear taxes looking backwards. What I would hope would happen is if when you pass this bill, that the negotiations that are currently ongoing with the properties with the counties that they can sit down and say, OK, the Legislature gave us new direction and let's see if we can resolve the past issues under this new direction. So, and then finally, you know, to the appraisal process, Senator von Gillern, I think the one issue counties have with this, as you've heard, is these properties don't sell. They don't fit into that mass appraisal system of let's

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compare it to the 100 homes that are in this area that sold or the 100 businesses. They don't move. I mean, the rent-restricted are held and so they don't have those comparable sales. And so the income approach is really where to look for these. So with that I'll try to answer any questions.

**von GILLERN:** Any questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Vice Chair von Gillern. And I know that you didn't bring up the community land trust. I was reading, trying to read through all of it while he was up there. He got done quick. But when you say it doesn't sell, the community land trust, in their-- the graphic that they have, it shows that they're selling for market rate and keeping the profits. And then they're selling to other LMI buyers and keeping the appreciation. So are there some situations where they do sell?

**JUSTIN BRADY:** Yes. So I guess I would carve out the, the sales or the income-restricted, sales-restricted homeownership. Yes. Those do sell

**KAUTH:** OK.

**JUSTIN BRADY:** Now, but they don't sell like they would my house because my house doesn't have a 40-year restriction on it that I sell it to an individual that meets certain low income requirements. So they do sell. The rent-restricted properties and the nursing homes assisted living, they don't sell on a regular basis enough to have any comparable sales to. So yeah, I would say the homeownership piece does. And I believe there's an individual from Habitat Omaha that's going to speak behind me, that she may be able to offer some of that on the sales piece.

**KAUTH:** OK. Thank you.

**von GILLERN:** Any other questions? Seeing none, thank you, Mr. Brady.

**JUSTIN BRADY:** Thank you.

**von GILLERN:** Next proponent. Good afternoon.

**FARSHAD MALTAS:** Good afternoon to all the members of the Revenue Committee. My name is Farshad Maltas, F-a-r-s-h-a-d M-a-l-t-a-s, and I'm the executive director for Community Development Resources. We are a community development financial institution that just started last year financing affordable housing. We are on track to do about \$7

million of affordable housing finance. We provide nontraditional and creative financing to get more affordable housing, multifamily deals done. We're going to be involved in about 300 units in the city of Lincoln. And, I'm speaking here in favor of this legislation because I think it will have really detrimental effects, I mean, if we don't do something, it will have really detrimental effects on getting affordable housing done in Lincoln and across the state. Previously before I took this role, I worked in Wisconsin for the Wisconsin Housing and Economic Development Authority, and also I was an executive director for a CDFI in New York. I have over \$1 billion of financing experience in tax credits. I'm worried that this legislation is going to lead to the dilution of the pricing for affordable housing tax credits in Nebraska. The tax credits are already low priced here. It's about 10 or-- 5 to 10% lower than nationally. But also, affordable housing tax credit projects cannot-- do not have the option to go to market rate because of the legal restrictions and the rules of the tax credit program with them. So I can really see less utility of being able to use those tax credits efficiently. And why does that matter? Well, it means that less units are going to get done because we have less value for those tax credits if we don't do something to correct this. Also we're going to lose units because there are going to be some properties that just simply will not be able to take the property tax station costs imposed if we don't do something to remedy it. Thank you.

**von GILLERN:** Thank you for your testimony. Any questions from the committee members? Seeing none, thank you. Next proponent. Good afternoon.

**DAN LEVY:** Good afternoon, Vice Chairman von Gillern and members of the Revenue Committee. My name is Dan Levy, D-a-n L-e-v-y. I'm a 20-year member of the House Corporation board of Phi Delta Theta fraternity on the University of Nebraska-Lincoln campus. As board president, I'm here to testify in support of LB1217. I lead a 12-member volunteer board that acts as landlord for the chapter House, ensuring a safe, comfortable, and supportive environment. It is an honor to share our story with you here today. It is a-- it is common among the other 25 Greek chapters at UNL that offer housing, not to mention our peers on the Omaha and Kearney campuses, Nebraska Wesleyan, Creighton and Nebraska's college systems. In 2025, Phi Delta Theta will celebrate 150 years on UNL's campus. As the university's first Greek life organization, we are likely the first nonprofit to offer alternative, alternative student housing. Our chapter house was constructed in 1937 and sits at the heart of City Campus on the corner of 16th and R



Streets. It is a Lincoln and national historic landmark. In 1967, we expanded to provide affordable student housing annually for between 25-- between 65 and 68 young men. We're very proud of our chapter house; but it was designed, built and maintained to do one thing: provide a unique and affordable option for university-approved student housing. It can't function as a commercial business or a for-profit multifamily dwelling. Yet that's how the property assessors view us when they assess our taxes. Our chapter house is owned and operated as a 501(c)(2) not-for-profit entity. Any income derived following expenses is reinvested in maintenance or improvements. We fund development opportunities for chapter members. We provide nearly \$10,000 in scholarships yearly. We offset lease payments for several active chapter officers who serve the chapter as a part-time job. We employ a house parent who lives on the property and mentors and occasionally mothers the young men in the chapter. While we believe in our business model, we must face the reality that we're landlocked and we can't scale. Yet in just over a decade, UNL has put several hundred new suite style living units within blocks of our chapter house without property taxes impacting their business model. We're not afraid to compete, but we need LB1217 to level the fiscal playing field. Like many across the state, our chapter sits at the crossroads of (1) being a successful nonprofit that (2) also owns property. LB1217 puts those priorities in the proper order, providing local property assessors with the vital guidance they crave. Thank you for the chance to offer some testimony. I welcome any questions.

**von GILLERN:** Thank you. Any questions from committee members? Seeing none, thank you for your testimony, Mr. Levy. Next proponent.

**MARK SROCZYNSKI:** Good afternoon. My name is Mark Sroczyński. That's M-a-r-k S-r-o-c-z-y-n-s-k-i. I'm the chief operating officer for Emerald Healthcare. I'm coming to you to speak about nursing homes. We have 8 facilities throughout Nebraska: Cozad, Columbus, Grand Island, Omaha, and Lincoln. We service 550 Medicaid lives. That's 75% of our population of our residents are Medicaid driven. Just on Tuesday, I sat in the Appropriations Committee not asking for more money, but in essence, I was. But what I was saying, your return on investment at that committee was to say that I can improve the quality metrics in both education, training and certifications with that 5% ask. Then I got the call about LB1217. And I called our CFO. I said, what does this mean for us? We have a difference between \$1.3 and 3 point million dollar valuation increase in just 3 out of our 8 homes. I haven't seen the other 5 yet. I don't know what that impact is. So I talked about the 5% increase, that ask, through that committee,

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through that-- the Appropriations Committee. And I thought to myself, if this goes through and we pay that tax, that's where that 5% is going to have to come from. The quality metrics in these buildings will suffer. We won't have the education, the training, the additional resources we need. Senator Linehan talked about beautiful buildings in Omaha. Our buildings are 50 to 60 years old. 75% of our population is Medicaid. And I ask you, look at this LB1217. Give us the opportunity to exempt and we'll have better quality outcomes. Thank you. Any questions?

**von GILLERN:** Any questions from the committee? Sir, I'll ask a quick one and it's the same question I asked Senator Bostar earlier. You are a nonprofit, a 501(c)(3) or (c)(2)?

**MARK SROCZYNSKI:** We are a-- we are a for-profit organization.

**von GILLERN:** You're a for-profit organization. Therefore, you're paying full load of the property tax.

**MARK SROCZYNSKI:** That's correct.

**von GILLERN:** OK. That answers that question for me. Thank you. Thank you for your testimony. Any other proponents? Good afternoon.

**GAYLEEN BRADLEY:** Hi. Good afternoon, committee members. My name is Gayleen Bradley. It's G-a-y-l-e-e-n B-r-a-d-l-e-y, and I am the administrator at Orchard Park Assisted Living here in Lincoln. And I am here as a proponent for this bill. We have a community that has 49 rooms and over 30 of them have Medicaid waiver people living in them, and our property taxes went up over 300%. We are an individually owned, privately owned community, and we do not have any way to, to make up that money to pay for these taxes. We would not be able to keep our doors open any longer if something is not done to help us. We are looking into making it nonprofit right now to help do that. But we have a lot of very happy residents there who I don't know where they would go. They're-- the, the community that is here, Lexington, the 2 of us are the largest providers of Medicaid waiver in Lincoln that we allow these people to come into our building. Most places want you to be living there at least for 2 years before they will take you on Medicaid waiver. You are never reimbursed the amount of money that the services cost going through Medicaid waiver. Our costs have increased dramatically because of COVID. Just the amount of money that we have to pay to our employees, much less just the cost of living raises or the cost of living rates that have gone up so substantially. And it's

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not an exaggeration when I tell you, if we do not do something different soon, we're not going to be able to keep our doors open. And I do not know where these people will go to live. So I'm just really asking you to stop and think about these people that are going to be displaced and have no place to live. Thank you for your time.

**von GILLERN:** Thank you. Any questions from committee members? Seeing none, thank you for your testimony. Any other proponents?

**CINDY KADAVY:** Good afternoon, members of the Revenue Committee. My name is Cindy Kadavy, C-i-n-d-y K-a-d-a-v-y, vice president of policy and reimbursement for Nebraska Healthcare Association. On behalf of our 400-plus nonprofit and for-profit skilled nursing facility and assisted living members, I'm here today to testify in support of LB1217. We would like to thank Senator Bostar for his introduction of this bill and for working to find a solution for healthcare providers facing unprecedented increases in their property valuations and resulting taxes. The tax amounts associated with these increased valuations only add to the financial challenges for providers who are caring for an increasing number of Nebraskans reliant on Medicaid payment, payment which is significantly less than the cost of the care. In Nebraska, there are some assisted living facilities that specialize in providing memory care for individuals with Alzheimer's disease or other dementia. Because serving this population means they need to staff at a higher level with trained team members and ensure the environment is safe and secure, the cost of memory care can be 3 times higher than the cost of general assisted living care. As the cost of care is higher and there's only one Medicaid assisted living rate, finding a memory care facility that participates in the Medicaid program is challenging. However, there are providers who offer this care because it is part of their mission. For example, a 40-bed assisted living memory care provider that participates in the Medicaid program and strives to balance their business model so they can continue to offer this option saw their property valuation increase from \$2.8 to \$8.1 million in 2023. Another 56-bed memory care facility had its valuation go from \$1.9 to 8 point-- to \$10.5 million. The prevalence of Alzheimer's disease is increasing. At the same time, Nebraskans struggle to find care options for family members who have worked hard and saved, but outlived their resources and must now rely on Medicaid. The tax exemptions-- this tax exemption would be structured in a manner that is dependent on the percentage of Medicaid beneficiaries served, which seems like a reasonable approach. Thank you for the opportunity to offer comments in support of LB1217. Glad to answer any questions.

**von GILLERN:** Thank you. Questions from the committee? Seeing none, thank you for your testimony. Any other proponents?

**KYLE ARGANBRIGHT:** Good afternoon, Senators. My name is Kyle Arganbright, K-y-l-e A-r-g-a-n-b-r-i-g-h-t. I'm the mayor of Valentine, Nebraska, and coincidentally, the president of the Sig Ep alumni board of a fraternity in Lincoln. I did not intend to speak on this bill. I actually drove 600 miles round trip for a different one. But this is-- this is unique. As mayor, one of the lowest points during my service was when we lost our nursing home. That nursing home was over 90% Medicaid funded. And it was mathematically a losing proposition. Every one of those individuals was costing that entity money. We looked at trying to save it as a community, and we couldn't do it. So anything that we do that can help the environment for sustaining rural nursing homes I think is very, very helpful. One of the highest points as mayor was we got a-- an affordable housing project done with a partner in the room. It took us 3 years to figure out how to do that. It was the first affordable housing project in Valentine in 30 years. What we learned during that is part of the reason that it's not getting done in rural areas is this partner had developed the exact same project at the exact same time in Grand Island, Nebraska, and it cost 25% more to do in Valentine. That math doesn't work. Finally, just to speak to all of this, I'm a banker. If we were to do a loan on any of the properties in question, we would consider them a special use property. The special use properties receive significant collateral, valuation discounts, and the purpose is for underwriting the loan. Why? Because if, God forbid, the bank ends up owning this, this property, we need to be sure that we can sell it at a reasonable rate in a reasonable amount of time. But with these limitations, these special use properties are definitively different. So I realize this issue is obviously more acute and immediate in Lancaster County, but if this trends-- trend-- trend spreads throughout the state, it's going to be-- it's going to harm an already difficult environment. Thank you.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none, thank you for your testimony. Next proponent.

**TRACIE MCPHERSON:** Good afternoon.

**von GILLERN:** Good afternoon.

**TRACIE MCPHERSON:** Take these off to read. Hello, my name is Tracie McPherson, Tracie, T-r-a-c-i-e, McPherson, M-c-P-h-e-r-s-o-n. I'm the

director of advocacy and public affairs for Habitat for Humanity of Omaha. I'm here on behalf of Habitat affiliates across Nebraska, representing Lincoln, Grand Island, Fremont, North Platte, Scottsbluff, and Columbus. Today, I am here to support LB1217 and why it is critical in helping with our affordable housing shortage in Nebraska. I'm speaking specifically to Section 5, page 17 on the sales-restricted housing portion of this bill. You've all heard the alarm bells ringing that Nebraska is short on housing. To be more specific, workforce housing. Building homes is one tool in the toolbox to help with the short-- shortage, but we need additional tools to help preserve the affordable housing stock in our state. Creating long-term affordability is a must, and that is exactly what LB1217 is designed to do. Why is long-term affordability important? It protects affordable housing from huge swings in the housing market that a lot of times families aren't prepared for, minimizes opportunities for out-of-state investors and ensures that there are future places for working people to live and buy. We are not the state that wants people to not be able to afford to live where they work. There's a misconception today that everyone who works hard and saves their money should be able to afford a home, just like our grandparents did. Times are different. There is scarcity of entry level homes combined with rising interest rates, which makes it tougher for families to afford their first home. Our state can no longer ignore the market conditions. From what we've seen in our area, the cost of an entry level home has gone up more than \$100,000. To give a very specific example, approximately 5 years ago, a Habitat house appraised at about \$130,000. That same house style in a similar neighborhood is now appraising at \$250,000. The folks at the greatest disadvantage are families who are trying to buy a home for the first time. After all, you can't build a house with just a hammer. You need more tools in the toolbox to get the job done. Another critical tool is LB1217, which helps with the affordable housing shortage. The current tools that we used to have, VH-- VHA and VA loans, used to work. But if you can't find a house, then those tools to loan people the money doesn't matter. Somebody had a question earlier about sales-restricted deeds if those houses sell. And I can tell you, yes. Due to some of the grants that we have, we have homes that have a sales-restricted deed on them that are 10 years and some of them are 20 years, and we have no problem selling those homes. They do sell.

**von GILLERN:** Very good. Thank you for your testimony. Any questions from committee members? Thank you for being here, Ms. McPherson. Any other proponents?

**WAYNE MORTENSEN:** Hello, Revenue Committee. I believe I'm the caboose on this particular train, so thank you for your patience. My name is Wayne Mortensen, M-o-r-t-e-n-s-e-n, of NeighborWorks Lincoln. I have no written remarks. I just wanted to respond to a couple of questions for the benefit of the committee. One, Senator von Gillern, to your I think reasonable concerns about land speculation or high revenue not-for-profits exploiting this process; also to Senator Linehan's concern about the Omaha organizations not developing land, these have to be-- LB1217 clarifies that these are legitimate low-income housing purposes, and that the properties that would be, granted this tax status have already transferred to those private owners. So the not-for-profits that are involved in these income- and sales-restricted developments are not deriving any economic benefit from the arrangement. It's just for those buyers. And then finally, I want to clarify that the owners still do pay taxes. They are not tax exempt. The bill, though, allows them to pay the taxes on what they are legally allowed then to sell their properties for. They also are able to enjoy the appreciation forever, for however long they own that property. So it is by no means a huge sacrifice, but it is a voluntary arrangement with those owners. To, Senator Kauth, your question, there is maybe a little confusion there with the graphic. That graphic shows what would happen without a land trust and with a land trust. Without a land trust, we have typically spent public dollars writing down the cost of homes to only see that go back to market rate, in that first sale. And then with the land trust, because we maintain control of the land underneath the home, that would mean that we could, in perpetuity, assure that subsequent sales go to similarly economic individuals. So, you know, 1 house that the state helps us develop can benefit 5 or 6 families instead of 1. And finally, then with regard to the low-income housing tax credit provisions, Section 42, I just wanted to clarify that there is a ripple effect being discussed here. It's not just Lancaster County. While that's been the focus, counties across the state have indicated, as Rick Vest pointed out, that they would follow suit. And the compliance period for these tax credit projects is set on day one. So they're locked into an operating budget that they provided to win those credits 40 years prior. So any changes of this magnitude are really very damaging. LB1217 will settle all of these various issues. And we appreciate your hearing it today.

**von GILLERN:** Thank you. Questions from the committee members? Yes, Senator Kauth.

**KAUTH:** I just want to say thank you for clearing that up, appreciate it.

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**WAYNE MORTENSEN:** Yes, you bet. Yeah.

**von GILLERN:** I have a quick question.

**WAYNE MORTENSEN:** Sure.

**von GILLERN:** The-- if the, particularly with the LIHTC projects, if there was a softening or even a zeroing out of the property tax obligation, are-- is there a requirement within those agreements that that benefit is then passed on to the tenants?

**WAYNE MORTENSEN:** Yeah. So the maximum rent rate is set by the Housing and Urban Development Department. That is updated annually. And that's how rents are determined for that project. The taxes are all a percentage of the operating budget. And so if, if there is a softening there, it would have to go below what is today's appreciation, which, is, is really not at, at contest here. The, the formula that's presented before you in LB1217 is a 3-year rolling average so that there is no zero dollar valuations. There's only a average of what that project cost to operate in the last 3 years.

**von GILLERN:** Thank you. Thank you for the clarity. See no other questions. Thank you for your testimony. Is that indeed the last proponent, as was stated? Thank you. Anyone who would like to speak as an opponent to LB1217? Seeing none, anyone who would like to speak in the neutral capacity?

**BETH BAZYN FERRELL:** Good afternoon, Senator von Gillern, members of the committee. For the record, my name is Beth, B-e-t-h, Bazyn, B-a-z-y-n, Ferrell, F-e-r-r-e-l-l. I'm with the Nebraska Association of County Officials. I'm appearing neutral on LB1217. I know you were looking forward to seeing Jon Cannon here this afternoon to talk about this. He is in another committee. He sends his regrets, but he would be happy to visit with you about this issue and answer any questions that you might have from our side of things. When it comes to property tax exemptions, counties are typically concerned about what exemptions do as far as restricting the tax base. When one group is exempted, that, that shifts taxes to another group. That's just sort of the facts about how things are. The Legislature has broad powers of exemption and has traditionally exempted charitable, religious, educational, and cemetery organizations whose property is used for those purchase-- purposes. Or it can be a mix of purposes and uses. For example, a church could use a property for an educational purpose and receive the exemption. One of the reasons that we've traditionally

exempted these organizations is because they relieve government of performing a function that they might otherwise have to do things like alms for the poor, schools, social services, those kinds of things. There's no question that affordable housing and that childcare and things like that are societal issues that need to be addressed. The question for the committee is whether this rises to the level of something that the government, cities, counties and the state itself would do if nobody else does. I would leave you with 2 sort of policy thoughts. One is that the Constitution tests for a charitable or-- the constitutional test for charitable organization is that there can be no gain or profit to the owner or user. And the committee can consider whether the income tax credits can be considered a gain or a profit. The second policy thought is that the structure for valuing low-income housing has been heard by the Nebraska Supreme Court. This bill essentially substitutes the valuation preference for an exemption preference. And the question there, the policy question, is whether this body would be doing something indirectly that can't be done directly. I would be happy to try to answer questions, or I would defer those to Jon at some later point.

**von GILLERN:** Thank you. Any questions from the committee? Seeing none, thank you for your testimony. Any other neutral testimony? Seeing none, Senator Bostar, would you like to close? Do we have letters?

**BOSTAR:** I would.

**von GILLERN:** As you're coming forward, we have 27 proponent letters, zero opponent, and zero neutral.

**BOSTAR:** I'm passing out a handout that a previous testifier forgot to distribute to you and asked if I would. I'll start with the opposition that came in as neutral. A couple of things. This bill is a priority of Lancaster County. This bill is a priority of many counties. The irony, of course, of having the representatives of the county officials cast doubt upon legislation that the counties are asking for is always amusing to me. I don't really understand their internal processes. They should be reviewed I would imagine, because they're clearly as broken as our valuation systems. OK. With that being said, legally, the Attorney General has issued his Opinion on this. This is fine. So whatever concerns NACO has, the Attorney General does not share them. I wish I could take credit for bringing you something in this bill that was novel, that was, you know, just some really, really great policy idea. The truth is, that's not what this is. This bill is fixing problems. This bill is maintenance on our current system. We



have lawsuits going on. We have valuations that are set so low that they're zero or negative, to the point where counties are going to TERC to have them-- to have the ability to reverse how they're valued. Then they go up through the roof and they're being treated as if they can be sold according to market forces, similar to other kinds of properties. So then they're too high. I just want to-- I want to point out in the lawsuit that's currently ongoing, both sides of that lawsuit are here testifying as proponents of this bill. What, what we've realized, and I've spent months and months and months on this. What this is, is nothing new. This is simply accomplishing what was meant to be accomplished the entire time, and on occasion has been accomplished. We have, from time to time, had the process and system work. Not as often as we want, but occasionally it happens. This that has taken every possible stakeholder coming to the table, months of negotiations and conversations represents what everyone, everyone who's worried about valuations being too high, everyone who's worried about valuations being too low, everyone who's worried about constitutionality, everyone who's worried about having affordable housing and assisted living facilities be shuttered forever, this is what everyone came together and agreed upon. It's really not even my work. It's not my doing. It's theirs. We're in serious trouble if we don't do this. I hope that was made clear, at least. I'll answer any final questions.

**von GILLERN:** Any questions from the committee members? Senator Murnan.

**MURMAN:** Many of the problems that were voiced today are very similar to the problems we have with ag land: very few comparable sales, owners often for generations don't sell the land. Profitability is or lack thereof is not a factor in their valuation. But my question is, are there any other states? You know, there aren't many to compare to us because we're-- Nebraska's one of the highest property tax states there is.

**BOSTAR:** Sure.

**MURMAN:** Are there any other states that do anything like this?

**BOSTAR:** Yeah, absolutely, there are to varying degrees. I mean, here's what this bill is right to its core. And what I mean, like, this isn't anything new, I, I truly meant it. We're talking about property that is legally not worth what it could be, but for some programmatic prescribed restriction. They can't just-- there is-- there is a law prohibiting them from extracting the value out of a property that they

otherwise would have been able to had it not been for whatever that law is. Right? So we're talking about deed restrictions that limit literally how much you can sell a property for. Right? So if you have a deed restriction with the result is that you can't sell a property for more than, I don't know, just \$100,000. Just hear me out. There's no way it can be worth \$200,000. It just isn't; definitionally it isn't. And that's the kind of thing we're talking about here. So, for example, on sales-restricted housing, the way it works in the bill is it's either what sales comparable, what we would I think call just market valuation would be or what its restricted value is, whichever is lower. Right? I mean this is commonsense stuff. So at a certain point, as the comparable sales valuations goes up and up, it's going to hit what you're restricted at. And at that point, that's where it stays because it-- it's legally restricted at that point, can't be worth more. That-- that's the kind of thing that's here that we're talking about. I understand the concerns on ag land, and I share them. I own ag land. I understand. And I-- and I think we are-- we, we have been doing a lot of work to try to address that. And I look forward to continuing to do that work because I think it's very important. This is also important.

**MURMAN:** Sure, sure. Ag land, if, if a family wants to keep the farm in the family business against if they sell it, it's gone.

**BOSTAR:** Right.

**MURMAN:** Kind of a similar deal. Thank you.

**von GILLERN:** Senator Kauth.

**KAUTH:** Thank you, Vice Chair von Gillern. Senator Bostar, we're looking at it seems like hundreds of different bills that deal with property tax. Are there any other bills that we're hearing that impact or interact with this? And we have a couple that are dealing with Medicaid reimbursements. And as you've looked at this one, have you sat down and looked a, . I mean, I don't want us to do something here and be doubling something or hurting something else by what bills we pass. How does this fit in with the grand scheme of things?

**BOSTAR:** I, I don't see any interactions. For one, because what-- truly we have-- we have more statutory problems if we don't pass it because we have laws on the books for, for a lot of these things that we're talking about. And there-- our current law is creating wild, unpredictable, extremely damaging and detrimental impacts on tax

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liabilities, on the ability to develop projects. We can't keep going with what we've got. But no, I think that the bill is written in a way that it's, it's pretty clear how it works. And the mechanisms don't really rely on-- they're not-- they're not interdependent with other kinds of statutes. So like the one I was just talking about where you set a valuation for a sales-restricted property on functionally its market value or its restricted value, whichever is lower, you know, that that's not-- that's a concept that doesn't depend on something else.

**KAUTH:** Thank you.

**von GILLERN:** Any other questions? Seeing none, thank you, Senator Bostar. That will conclude our hearing on LB1217 and we will open on LB1184. Senator Bostar. If we could clear the room, please, so we can start LB1184. Thank you. I just want to go home tonight.

**BOSTAR:** OK. Sister. I would just like to say, Mr. Vice Chair, that this is going to be very fun to read after all of that. OK. Good afternoon. Vice Chair von Gillern, fellow members of the Revenue Committee, for the record my name is Eliot Bostar, E-l-i-o-t B-o-s-t-a-r. I represent Legislative District 29. I'm here today to present LB1184, legislation to offset some of the installation cost of reverse osmosis water filtration systems and allocate funding to real-time nitrate monitoring, According to the 2022 ground-- Nebraska Groundwater Quality Monitoring Report published by the Nebraska Department of Environment and Energy, 88% of Nebraska residents rely on groundwater as their source of drinking water. If the public water supply for the Omaha metropolitan area, which receives approximately one third of its water supply from the Missouri River, is not counted, this rises to nearly 99%. Essentially, all of the rural residents of the state use groundwater for their domestic supply. That report shows that there are areas in Nebraska where the median nitrate concentration in groundwater is approaching and exceeding U.S. Environmental Protection Agency maximum contaminant level, MCL, for drinking water of 10 milligrams per liter or 10 parts per million. The International Journal of Environmental Research and Public Health reports that the risk of specific cancers-- cancers and birth defects may be increased when nitrate is ingested. 5 out of 6 studies conducted since, since the 1980s of drinking water nitrate and central nervous system defects found positive associations between higher drinking water nitrate exposure during pregnancy and central nervous system defects and neural tube defects, a birth defect of the brain or spine, that often kills young children who have it. The National

Cancer Institute reports that studies have shown increased risk of colorectal, kidney and stomach cancer among people with higher ingestion of water nitrate. Nitrate is hardly Nebraska's only groundwater contamination challenge. According to the University of Nebraska Extension Service, uranium is a naturally occurring radioactive mineral present in certain types of rock and soils found throughout the United States, including Nebraska. Monitoring has shown that while groundwater in most areas of the state contains low to moderate levels of uranium, high levels are found in groundwaters of the Republican, North Platte, and portions of the Platte River valleys. Uranium concentrations collected by the Nebraska Department of Health and Human Services at the Republican and Platte River were just below or exceeded the current uranium limit for drinking water. According to the Canadian Medical Association Journal, there is a risk from both chemical toxicity and radiological toxicity from orally ingested natural uranium. The U.S. Environmental Protection Agency states that reverse osmosis is a water purification method that forces contaminated water through a semi-permeable membrane that nitrate cannot pass through. The U.S. Environmental Protection Agency also recognizes reverse osmosis filtration as an accepted and practical way to remove 98 to 99% of uranium from drinking water. According to a Forbes magazine article from 2023, because of the microscopic pores in the semi-permeable membrane filter, reverse osmosis cannot only remove the obvious visual contaminants such as sediment and larger organic material, but can also even remove dissolved substances from within the water, unlike other forms of water filtration. Reverse osmosis is considered one of the most all-around effective ways of eliminating water contaminants and residential grade reverse osmosis filters can remove up to 99% of 82 different contaminants. LB1184 creates the Reverse Osmosis System Tax Credit Act. This legislation would create a one-time refundable income tax credit available to one taxpayer per residence, equal to 50% of the cost of installation of reverse osmosis water filtration system up to \$1,000. A taxpayer will be eligible to receive the credit if water quality test results from the taxpayer's primary residence are above 10 parts per million for nitrate nitrogen, 4 parts per trillion for chemicals commonly referred to as PFOA or perflwaa-- excuse me, perfluorooctanoic acid and PFOS, perfluorooctanesulfonic acid, also known as for chemical-- forever chemicals or a score of 1 on the Hazard Index, a calculation used to evaluate potential health risks from exposure to toxic or potentially toxic chemicals established by the Environmental Protection Agency for PFOA, PFOS, GenX chemicals which are, here we go: hexafluoropropylene

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oxide dimer acid and its ammonium salt, or PFBs;  
perfluorobutanesulfonic acid. No one is applauding. Come on.

**von GILLERN:** Instructions said no applause.

**BOSTAR:** Before you is an amendment that includes uranium as a trigger contaminated 30 parts per billion, which is consistent with the U.S. Environmental Protection Agency's maximum contaminant levels that were used to establish the other contaminant levels in LB1184. To receive the credit, the taxpayer must apply for the credit by submitting an application to the Department of Revenue with documentation of the test results of the drinking water from the taxpayer's primary residence. Documentation of the cost of the reverse osmosis system installed in such residence, and any other documentation determined necessary by the department. If the department determines that the taxpayer qualifies for the tax credit, the Department shall approve the application and certify the amount of the approved credit for the taxpayer. LB1184 also provides intent language to appropriate resources for real-time monitoring of nitrate levels, and requires the Nebraska Department of Resources and Department of Environmental and Energy to work in collaboration to develop a real-time nitrate management plan for the state. This will allow the state to begin to reduce fertilizer use and reuse nitrates contained in the groundwater through the irrigation systems, which will in turn lower input costs and reduce nitrate levels statewide. Real-time data provides insights that farmers and ranchers are currently unable to access. Testing wells once or twice a year does not provide the data needed to address our nitrate issues in Nebraska. Real-time nitrate monitoring will allow farmers and ranchers to manage nitrogen fertilizer use more effectively, reduce overall application. Just like real-time technology widely adopted across the state for water quantity through irrigation, we need to adopt the same technology for nitrogen management. We've already seen this approach benefit our aquifer. LB1184 addresses uranium, nitrates and other contaminants in our state's drinking water by making reverse osmosis filtration more available to Nebraskans through the tax credit. Legislation goes on to provide our farmers and ranchers with one of the best solutions to improve water quality through support for real-time monitoring. Given data, we have proven farmers and ranchers will do the right thing. Without it, we are asking them to operate in the dark. Thank you for your time and consideration. Encourage your support of LB1184 and I'd be happy to answer any questions.

**von GILLERN:** Questions from the committee members? Senator Dungan.

**DUNGAN:** Thank you, Vice Chair von Gillern. Thank you, Senator Bostar. I will not ask you to spell those, although I, I would not be able to either. Quick question for you. I'm looking at the fiscal note, and I just-- I think it'd be helpful for you to walk us through, I think, some of this, because I think it's unintentionally perhaps a little bit misleading. So the estimate here for fiscal year '24-25, about \$3.6 million in lost revenue due to the tax credit. And then that goes up to 4.1 in '25-26, goes up again in '26-27. Do you, I guess, first of all, do you have any idea how they're estimating how many people are going to take advantage of that tax credit? Because if it's \$1,000 max, I assume you divide that by a thousand to figure out how many people they're saying are benefiting from that. It's 3,670 people. Do we know where that number comes from?

**BOSTAR:** Not really.

**DUNGAN:** Because in order to be eligible for this tax credit, you also have to meet the criteria of having like the nitrates in your water and those kind of things. Correct?

**BOSTAR:** Yes. And you would have to do testing, document it, prove it, have the reverse osmosis system installed in your home, have the documentation of those costs, and submit all of them for review by the Department of Revenue, as well as respond to anything else they asked for. To be clear, the number in '24-25 should be zero because no one's getting any of that done within that time frame. But yes.

**DUNGAN:** OK. That's, that's kind of what I thought, because I was looking through the criteria that you had to meet in order to be eligible for the tax credit. It strikes me that perhaps it would be a lower number than what we're actually looking at on that.

**BOSTAR:** Right. And it's a one-time per household tax credit. So once a household receives a tax credit once, that's it, done forever.

**DUNGAN:** And that was the additional part, too, is, I mean, if we game this out into perpetuity, at a certain point, there's sort of a threshold you reach where this money--

**BOSTAR:** Eventually you've gotten the people.

**DUNGAN:** Right. Everybody installs this. And so I, I see the number increasing per year, maybe because people become aware of it or something. But at a certain point, that's going to be the threshold

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where it's going to start to diminish as people who are interested in installing this do so and then eventually it goes back down.

**BOSTAR:** Yeah.

**DUNGAN:** Is that also fair to assume?

**BOSTAR:** I think so, interested and willing to do all of the work necessary to qualify for the thousand dollars. I mean, look, my, my hope is that the number of people who could even potentially be eligible for this, I hope that number is very small. Because to be clear, if you are eligible for this tax credit, you-- your drinking water exceeds the maximum contamination levels that are set and considered to be safe for human consumption. I mean, that's, that's the population we're talking about. And so hopefully that number is small. But I think if you fall in that category, having us up to \$1,000 help by splitting the cost of a water reverse osmosis filtration system with your family is a worthwhile investment for the state to make for a whole host of reasons.

**DUNGAN:** Yeah.

**BOSTAR:** One is because if you keep drinking that water, you're going to get sick. We're going to end up paying for it anyway. And 2, it's just-- it would be nice if Nebraskans weren't being poisoned by their water.

**DUNGAN:** I would tend to agree with that and I appreciate you walking through that. I just-- I know when we open a fiscal note, sometimes we see a number and react. And it's helpful to kind of go through why it is or how it may be lower in the future. So I appreciate that clarification and I think this all makes a lot of sense. Thank you.

**BOSTAR:** Thank you.

**von GILLERN:** Other questions? Senator Kauth.

**KAUTH:** Thank you, Vice Chair von Gillern. Senator Bostar, would it-- so when you say a household, is that a person or is that the address? So, I mean, once a certain number, once that address has that, they're not going to move and take it with them. Correct?

**BOSTAR:** Correct. Yeah. I mean--

**KAUTH:** So it's property bound.

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**BOSTAR:** That's essentially how it works.

**KAUTH:** OK.

**BOSTAR:** And that's why it's one per household and it's for your primary residence. So also if you're a household that is, is a very fortunate and you have several homes within your household, we're not paying for all of your lake houses also, right? Your primary residence, we'll help you out. But that's it.

**von GILLERN:** Other questions? I had one just for additional clarity on the fiscal note, Senator Dungan. The, you know, front page has the FY '25-- '24-25, '25-26, '26-27, about \$12 million. But in addition to that is the \$10 million for the--

**BOSTAR:** For the real-time monitoring.

**von GILLERN:** For department for the monitoring wells.

**BOSTAR:** Yup.

**von GILLERN:** OK. Sorry. Thank you.

**BOSTAR:** Yes. And we're in conversations with the Governor's office and the budget office on this is to tie into some other things that I think that the-- that have been identified as a priority for the state. And so we are working on what that right number is.

**von GILLERN:** OK. My question is are those funds already allocated to something else that would then be directed here possibly?

**BOSTAR:** I will have that information for you as soon as possible.

**von GILLERN:** Thank you. Any other questions? Thank you, Senator Bostar. Presume you'll stay to close.

**BOSTAR:** Gotta be here.

**von GILLERN:** Proponent testimony. Anyone who would like to speak as a proponent for LB1184. Don't be shy. Jump on up here. If you are going to speak as a-- if you are going to testify, go ahead and move up to the front rows, please. Thank you.

**AL DAVIS:** Afternoon, Vice Chairman von Gillern, members of the committee. My name is Al Davis, A-l D-a-v-i-s. I am a registered lobbyist for the Nebraska Chapter of the Sierra Club, which is made up



of over 3,000 individuals with a focus on the environment and also represent the Independent Cattlemen of Nebraska here today. Eliot Bostar has introduced LB1184, which we feel is an important bill which recognizes that addressing the contamination of our aquifer with nitrates will force long-term economic consequences on state government, as the members of the Legislature attempt to remedy some of the serious health consequences associated with nitrate poisoning. Alan Guebert addressed the crisis of nitrate contamination in an article in the Journal Star, which ran in the Sunday, February 11, edition of the paper. Guebert quotes Eleanor Rogan, the chief of the Department of Environmental Agriculture and Occupational Health at UNMC. Dr. Rogan stated, and I quote, It's pretty obvious that in the areas where levels of nitrates and other agricultural chemicals in water are high, you get more pediatric cancers and birth defects. The science is showing us that we have a serious problem, one which is killing or maiming babies and young children and possibly contributing to early deaths among adults. The, the objective of LB1184 is clear. Senator Bostar is offering tax credits to individuals who wish to or are forced to install a reverse osmosis system on their residential well to combat the growing problem of nitrate contamination, along with other troublesome chemical concoctions. Individuals are becoming more aware of the potential toxicity of nitrate poisoning and the threat to the health of children. Over time, there will be rising demand for reverse osmosis systems across Nebraska, but citizens will be looking to the Legislature to redress the high instances of nitrates in our water and the installation of these systems, while a great first step, is only a very large Band-Aid on the overwhelming problem of too many confined animal feeding operations and too much nitrogen fertilizer being applied to our farm fields without more regulation of these endeavors. Eventually this body will be forced to address the question of mandatory installation of reverse osmosis systems across Nebraska, just as radon mitigation is now required in parts of the state where radon levels are high. Nebraska's abundant water resources are a magnet for out-of-state entities wishing to construct a CAFO here with our ample supplies of grain available for feeding and where water is abundant and inexpensive. We lead the nation in cattle on feed, have significant investments in hog production, chicken production and some dairy. But concentrating these animal feeding operations in our state can impose significant environmental harm to the state unless we are careful about managing our natural resources. And the very nature of modern farming requires application of a large amount of chemicals to produce bumper crops. Cleaning up the water table is an important thing for us to do. This

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is a great first step and we are very supportive of Senator Bostar in this [INAUDIBLE]. Thank you.

**LINEHAN:** Thank you very much. Are there any questions from the committee? Seeing none, thank you for being here.

**AL DAVIS:** Thank you.

**LINEHAN:** Are there other proponents?

**JULIE BUSHELL:** Thank you. Chair Linehan. Revenue Committee members, thank you for the opportunity to be here this afternoon. My name is Julie Bushell, spelled J-u-l-i-e B-u-s-h-e-l-l, and I'm the CEO of Ethos Connected. Ethos sees LB1184 as a pivotal piece of legislation that not only addresses the effects of Nebraska's high nitrates, but creates policy to solve it. Nebraska is a global leader in water management. The world turns to our progressive NRD system and water rights policies as a beacon for exceptional management practices. Our leadership is proven by the sustainability of the Ogallala Aquifer, the very source blood that feeds the state's most important industry, agriculture. But there's a bigger picture to water management, and that's water quality. As a technology company that prides itself on delivering real-time data, we have proven the value of data with undeniable results. Over the last 5 years, Ethos has constructed North America's first statewide LoRaWAN network right here in Nebraska. We have covered the state with network that connects cropland, livestock operations, rural businesses, and villages with low-cost sensors that drive operational efficiencies, increases producers' revenue, and reduces environmental impact. Right now, we're asking Nebraska citizens, farmers, producers to better manage their nitrogen application year round to reduce groundwater contamination and aren't providing real-time data on their nitrogen load when fertilizer application is required. What if there's sufficient nitrate load in groundwater and that producer can simply pump groundwater through their irrigation system without applying additional fertilizer? This can only happen with real-time sensors and the passage of this bill. This bill would undeniably reduce the amount of nitrogen applied across the state, would allow producers to better manage their operation, and provide year-round data to enable this body to make sound policy. I do want to note that on NDE's comments on the fiscal note, there's a comment that they are unaware of any real-time technology to support nitrate management. That is false. Our company makes nitrogen sensors right here in Lincoln, Nebraska. So I did want

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to get that on record. Thank you for your consideration. I am happy to take any questions.

**LINEHAN:** Thank you very much. Are there questions from the committee? Senator Murman.

**MURMAN:** Yeah. There are cities that are doing the recycling the groundwater, like you said, to take advantage of the nitrogen in the groundwater that I'm aware of. Are you aware of others that are doing that?

**JULIE BUSHELL:** Yes, Senator. The NRDs do a fantastic job educating producers. The problem is they're hand sampling nitrates in groundwater once or twice a year and leveraging that data. So more real-time data where the NRDs and the producer irrigators can look at that in real-time and then make decisions when they need to apply fertilizer would be very beneficial. But in this instance, I think the NRD system, it works in our favor. You know, they can get out there and work with irrigators to help them better manage their groundwater.

**MURMAN:** Thank you. I think we'll probably get more testimony on that moving forward.

**JULIE BUSHELL:** I think you're right.

**LINEHAN:** Thank you, Senator Murman. Are there other questions from the committee? Seeing none, thank you very much for being here.

**JULIE BUSHELL:** Thank you.

**LINEHAN:** Next proponent. Good afternoon.

**JACKSON STANSELL:** Good afternoon, Chairwoman Linehan and members of the committee. My name is Jackson Stansell, spelled J-a-c-k-s-o-n S-t-a-n-s-e-l-l. And I'm the founder and CEO of Sentinel Fertigation, an agtech company based right here in Lincoln, Nebraska. I'm here today to testify as a proponent of LB1184. As you've already heard, we have an extensive groundwater nitrate problem here in Nebraska. And this is likely resulting in part from what I would call underinformed application of nitrogen fertilizer that has been correlated with significant public health impacts. I'm a proponent of this bill because it addresses the challenges that Nebraska citizens currently face with nitrate contaminated groundwater, and more importantly, because it takes a step forward towards mitigating groundwater nitrate contamination for our generation and generations to come. My company,

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Sentinel Fertigation, was founded as the result of a research project at the University Nebraska-Lincoln, funded by the Nebraska Corn Board. What we provide is N-Time, which is a software system that uses real-time crop imagery and geospatial agronomic data to recommend nitrogen application scheduling and rates. The reason why I founded Sentinel Fertigation was to provide and scale a win-win solution for farmers, the environment and society at large. The goal of N-Time is to improve nitrogen fertilizer use efficiency while maintaining or improving crop production, thereby improving farm profitability. Something that we've heard from our customers since launching N-Time in 2022 is that the real-time data that it provides empowers them to confidently reduce nitrogen applications? This is in contrast to the uncertainty that they face when deciding whether or not to use the nitrogen credits that are declared in the University of Nebraska's nitrogen algorithm, including the irrigation water nitrate [INAUDIBLE], which this bill critically addresses with these nitrate sensors in real time. This bill, by funding the installation of real-time well water nitrate sensors, will provide the type of real-time data that farmers need in order to confidently take advantage of nitrogen already present in the water to grow their crops. Additionally, the data provided will help validate and quantify the impacts of environmentally responsible management and, ideally, help producers take advantage of premiums that are emerging in the marketplace for low carbon intensity grain. I look forward to seeing this bill passed and the positive impact that it will make on Nebraska.

**LINEHAN:** Thank you very much. Are there any questions from the committee? Seeing none, thank you for being here, appreciate it.

**JACKSON STANSELL:** Thank you.

**LINEHAN:** Next proponent.

**DEAN EDSON:** Senator Linehan, members of the Revenue Committee, my name's Dean Edson, D-e-a-n E-d-s-o-n. I'm the executive director for the Nebraska Association of Resources Districts, presenting testimony in support of LB1184. I'd like to thank Senator Bostar for introducing this bill. We need to do more in Nebraska to protect water quality and protect the quality of the water and especially the drinking water. The NRDs have been working with producers to properly apply fertilizer to reduce nitrate contamination. This problem didn't occur overnight and will not get resolved quickly. There's more things we can do to get to that goal, such as what's in this bill. I provided you an

attachment just to let you know all the sampling that the NRDs are doing now, because sometimes that gets forgotten in this discussion. In summary of that, we do 12,000, little over 12,000 nitrate samples annually across the state where we got 10,600-plus wells. All of this data goes into management decisions to upgrade groundwater rules and regulations. All that data is shared with the public, NRD board members, Department of Environment and Energy. List out the type of wells that we monitor, about 63% are irrigation wells, 18% domestic, 17 are dedicated monitoring. And we've got 118 livestock wells and about 100 other wells that we monitor. Skip ahead here so we can keep on time. All these districts do establish this network system within their district so that they're sampling a broad area, not just one small area, and calling that good to go. So we-- it's all mapped out. A concern we have-- only concern we have with the bill, it's got-- this plan has got to be in place by August 31 of 2024, which might be a little bit unrealistic. Technology's just coming into play. The Twin Platte NRD is invested in the system right now, and we're doing some monitoring and calibrating on that. And we're working with Julie on, on that and Ethos companies. I just want to [INAUDIBLE] we're willing to work with all the interested parties and move forward on some type of plan.

**LINEHAN:** Thank you, Mr. Edson. Are there questions from the committee? Senator Murman.

**MURMAN:** In the bill there's, I think, \$10 million allocated for monitoring wells in the state. Is that necessary? You know, I know the NRDs do monitor a lot of wells and I think for a lot of different things other than just nitrogen.

**DEAN EDSON:** It's the cost of the technology and how-- and that's why I'm urging a little bit of caution here to just not rush this plan and try to get something done by the end of the summer and get [INAUDIBLE] plan put together, because you got to consider the cost. There's some other factors with broadband and internet access we got to get to. My understanding from the cost of equipment costs may go up, depending on how you're connected to data, whether you got to go to a sat-- [RECORDER MALFUNCTION] --using cell phone service, or whether you can actually get access to broadband through Wi-Fi. So there's a lot of things to take into consideration in this. And then geographically, how do you spread them out, not just in the state but then within each NRD?

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**MURMAN:** I've got another question. The nitrogen, amount of nitrogen in the water is-- do you look at it as-- you know, I know it's a result of about, you know, approximately 20, 25, 30 years ago. Do you look at it as getting close to peaking out or-- because, like you said, we've done, or we've heard farmers have done a lot of things to improve their nitrogen usage. Do you look at the nitrogen levels to start to fall off eventually or soon?

**DEAN EDSON:** Yeah. But, but it's like we said, it took a long time to get to this point, and then we're trying to get the farmers to take credit for the, the nitrates that's in your groundwater. There's a formula that's with the University of Nebraska with their fertilizer application formula to take into account the nitrates in your groundwater at whatever parts per million it is, and how many gallons of water you're going to pump, it'll give you a rate of how many pounds of nitrogen you'll get. So you can subtract that off. And that's the, the way you filter this out. You get the crop to clean it up. We've had a lot of successes in the Central Platte where it-- the trend line was going up, and then we implemented these plans, and producers started figuring that out, and then they've kind of tapered off to where they-- but it'll take time for it to drop clear back down again.

**MURMAN:** Thank you.

**LINEHAN:** Thank you. Senator Murman. Are there other questions for the committee? Seeing none, thank you, thank you.

**DEAN EDSON:** Thank you.

**LINEHAN:** Are there proponents? Good afternoon.

**KENNETH WINSTON:** Good afternoon, Chairman-- Chairwoman Linehan and members of the Revenue Committee. My name is Kenneth Winston, K-e-n-n-e-t-h W-i-n-s-t-o-n. I'm appearing on behalf of Nebraska Interfaith Power and Light. Specifically wanted to mention that, that there, there are many messages in our faith traditions that support care for the earth, and caring for people, particularly those who are most vulnerable. We support efforts to protect drinking water from contamination. Unfortunately, despite years of attempts to address these issues, there are numerous reports of groundwater in Nebraska being contaminated by nitrates and other substances that pose a health risk. And I know, as Dean Edson was testifying, that, that many people have been working on this issue for many years. The Legislature was

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working on this issue back in the '80s. I know the NRDs have been working on it for a long time as well. There's health impacts that result from, from, from contamination of groundwater, with the most serious negative impacts being on pregnant women and small children. These impacts include birth defects, blue baby syndrome, and higher than normal rates of pediatric cancer. By providing financial assistance to obtain reverse osmosis filtration systems, LB1184 represents a positive step toward protecting drinking water and the health of mothers and young children. And I guess I also want to note for the record that the Legislature has a long history of, of protecting mothers and young children. And so I want to-- want to recognize that as well. Also wanted to mention the fact that, that, I, we're supporting LB1368, which was introduced by Senator Ibach, which would provide incentives to reduce the application of nitrogen fertilizer as one main means of addressing this, and that we also support the creation of a real time nitrate, nitrate management plan to provide a statewide wide plan for addressing fertilizer, fertilizer use and reducing nitrate levels. We encourage the committee to advance LB1184, and I'd be glad to respond to questions.

**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you for being here, appreciate it.

**KENNETH WINSTON:** Thank you.

**JOHN HANSEN:** Chairwoman Linehan, members of the Revenue Committee, good afternoon. For the record, my name is John Hansen. J-o-h-n, Hansen, H-a-n-s-e-n. I'm the president of Nebraska Farmers Union and also its lobbyist. Nebraska Farmers Union is in support of LB1184. Thanks, Senator Bostar, for bringing it forward. We regretfully have a need for reverse osmosis systems, because unfortunately, we have an awful lot of folks who live in rural communities where they've been at or above the ten parts per million in nitrates for a long time. And so it's sort of a recognition of the size of the problem. And so, at least, if we can take these kinds of steps and encourage these kinds of steps to be taken, rather than just, as some folks do, unfortunately, just ignore it, that we will do a better job of protecting the health of our kids, and our residents. And we had at our Farmers Union state convention in 2022, a focus on sort of the status of groundwater quality and quantity in the state of Nebraska. We had a whole bunch of panels, including Doctor Rogan from the University of Nebraska Medical Center. And the net result of her presentations and the other presenters as well, was very sobering. It was not an encouraging, positive, uplifting assessment of where we're

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at, especially for folks like myself that have been working on these issues for 50 years. I was first elected to the lower Elkhorn NRD in 1974, and by 1977 we were already having to deal with high nitrate levels in the water. We in our district, and I worked on helping establish the groundwater monitoring program, helped salvage the remnants to make sure that we were able to keep the system that we have continue to have a place that we call fertigation, so that we could better manage the amount of nitrogen we put on and, and more often, but smaller amounts. So this monitoring and this additional technology is unfortunately needed. For a long time, our state has hoped that things would get better. But as we have come to find out, hope is not a plan. And so this is a positive step in the right direction. It is needed. And we encourage the Revenue Committee to look at it favorably.

**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you for being here.

**JOHN HANSEN:** Thank you very much.

**LINEHAN:** Are there other proponents?

**REBECCA WELLS:** Good afternoon. My name is Rebecca Wells. That's R-e-b-e-c-c-a W-e-l-l-s, and I'm here as a proponent, speaking on my own behalf. Nitrates are a big problem in our state. It's-- when you look at a map of where the nitrates are high of Nebraska, and then you look at a map of where the pediatric cancers are highest, you can overlay them and they fit together perfectly. So there is a problem. The other big problem, and I speak with a background of a maternal child specialist, the biggest cause of infant mortality in Nebraska by far is birth defects. And nitrates are definitely a cause of birth defects. They increase the rate. So we have a problem. I like this bill because of the nitrate sensors for monitoring wells. And I think that the real time is very important. And I know we're working on fertilizer application being decreased. The other big concern, though, is that there's more confined animal feeding operations. They are proliferating, and they are another source of nitrates. Nebraska is an agriculture state. We raise animals and we raise crops, so we have two sources there. I think this is very important. And I think the tax credit is, again, looking at the health and the costs ultimately, of birth defects, pediatric cancer, you know. And it's-- this is a good bill to start addressing those concerns and lowering the risks for the citizens. Thank you.



**LINEHAN:** Thank you very much. Are there questions from the committee? Seeing none, thank you very much for being here. Are there any other proponents? Are there any opponents? See anyone wanted to testify in the neutral position? We did have letters. There were nine proponents, no opponents, and two in the neutral position. Senator Bostar, would you like to close?

**BOSTAR:** Yes. Thank you, Chair Linehan, members of the committee, for your attention. I just want to talk a little about a couple of things that came up. The, the tax credit portion, which again is, it's for water filtration installation, one per household, 50% credit, max at \$1,000. And in order to get it, you would have to demonstrate and prove that your water is contaminated to such an extent that it is deemed unsafe for human consumption. I know a lot of people are working on the nitrate issue. And, and I, I really appreciate it. And I hope it gets resolved quickly, as quickly as it can. But I just want to also, I think, point the committee toward the other things in the bill. If we didn't have a nitrate problem, which would be fantastic, in my opinion we would still need this legislation. Nebraska is, is certainly unusual in the amount of dissolved uranium in our water. It's related to the aquifer, but we have a lot of it, and it causes real health impacts. And so, I mean, you could take nitrates out of the equation. We, we would still need to be thinking about our water quality and our water safety. Which is why-- because the solution for both nitrates and uranium is the same thing. The way to filter it is the same technology. You know, I, I'm-- I am focused on trying to address the problem. I'm less interested in, I guess, blame, right? I mean that, that's not helpful. As far as the, the real time monitoring. The reason the real time monitoring is so important is because for farmers and ag producers, you can, if you know exactly what's coming out of your irrigation systems based on how much nitrates are in the water that you're putting on your ground, you know exactly how much of them you need to apply, if any, instead of-- what's happening now is that there, there's a formula, there's a lot of guesswork involved in trying to estimate how much fertilizer or equivalent you're putting on your fields when you just run groundwater. And that's, that's something. But, but I-- from the conversations I have with, heck, my own family who are in ag production, it doesn't-- that doesn't give you necessarily the confidence to say, ok, I don't need to put on any fertilizer. No one wants to risk it, right? Because if you get it wrong, your yield plummets, your property taxes are through the roof. You could lose the farm. So the real time data gives that very clear picture of exactly

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what you're putting on your field, so you can have the confidence to lower your input costs, increase your profitability, and help our water. With that, answer any questions.

**LINEHAN:** Thank you Senator Bostar, are there questions from the committee? Senator Kauth.

**KAUTH:** Thank you, Chair Linehan. First of all, Senator Bostar, I like this bill. Erin Brockovich made a significant impression on me, in the '90s. But I, I do have a question for you. So the Nebraska State Education Association did not show up in opposition. This is a tax credit bill, correct?

**BOSTAR:** It does contain a tax credit.

**KAUTH:** In your opinion, will this tax credit hurt public schools?

**BOSTAR:** I, I think that the ability for children to drink clean water is good for their educational outcomes. So I think it will help schools.

**KAUTH:** That is a very diplomatic answer. Thank you.

**LINEHAN:** Thank you, Senator Kauth. I don't have to ask that question. Any other questions from the committee? Thank you for being here.

**BOSTAR:** Thank you.

**LINEHAN:** And with that, we'll close the hearing on LB1184, and open the hearing on LB1206, Speaker Arch.

**LISA JOHNS:** Good afternoon, Chairwoman Linehan and members of the Revenue Committee. For the record, my name is Lisa Johns, L-i-s-a J-o-h-n-s, and I'm here on behalf of Speaker John Arch, who represents the 14th Legislative District in Sarpy County. I'm here this afternoon to introduce LB1206. LB1206 is a cleanup bill that was brought to Speaker Arch by the Revisor's Office, and it merely repeals obsolete language in statute that references the Long-Term Care Savings Plan Act. The Long-Term Care Savings Plan Act was adopted by the Legislature in 2006, and its intent was to incentivize long term care planning by providing a tax credit for individuals who contributed to a long term care savings plan. The, the use of the funds were to be used for long term care expenses, including long term care insurance premiums. In 2016, the Legislature passed LB756, which was introduced in response to a report by the Performance Audit Committee that found

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few people took advantage of this plan, and those that did were depositing just enough to get the maximum tax credit, but not enough to pay for insurance premiums. Furthermore, they found similar incentive programs did not have a significant impact on incentivizing people to invest in long term care planning. But there were people that had invested, and so they wound down the termination date of the Long-Term Care Savings Plan Act, and it terminated on January 1st, 2018, to give people a chance to withdraw their funds. So the act no longer exists. There are no more accounts left. And this bill reflects that by eliminating the language that refers to a Long-Term Care Savings Plan Act, and that is it.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none.

**LISA JOHNS:** OK. Thank you.

**LINEHAN:** Are there proponents?

**MURMAN:** We need more like this.

**LINEHAN:** Are there o-- are there opponents? Anyone wanting to testify in the neutral position? Do we have letters? No letters. Would you like to close? Waive closing. That will bring the hearing on an LB1206 to a close, and we will open on LB1305, Senator Hansen. We don't know where Senator Hansen is at.

**KAUTH:** He might--

**LINEHAN:** Well.

**DUNGAN:** That might have gone so quickly.

**LINEHAN:** Yeah. Hopefully he's running from someplace. Call Ben Hansen. Do you want to call his office? Senator Hansen's office? He's on his way? Oh. Thank you. Good afternoon.

**HANSEN:** Good afternoon. Sorry I'm running late there.

**LINEHAN:** You're fine.

**HANSEN:** OK. Sure am mixed up right here.

**LINEHAN:** LB1206. LB1206. No? LB1305. Sorry.

**CHARLES HAMILTON:** Made you look.

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**HANSEN:** OK. All right. Good afternoon, Chairwoman Linehan and members of the Revenue Committee. My name is Senator Ben Hansen, that's B-e-n H-a-n-s-e-n, representing the people of District 16. Today, I'm here to present LB1305, the Nebraska Sound Money Act. Treating precious metals like an investment, unlocking access to their function as a store of value, is a remarkable improvement over the status quo. If that is all we do, many Nebraska people, including myself, will be grateful to this committee for your endorsement of the change. Like stocks and bonds, gold and silver can be bought and sold in a store of value, but they're capable of more. These precious metals emerged across the world as a medium of exchange for the unique convergence of qualities, including divisibility, portability, durability, uniform quality, and stable intrinsic value. So I'd like for you to put aside-- put everything aside, and consider a basic principle. Gold and silver are the only form of currency mentioned in our Constitution. It is this fact that I'm asking you-- for you to ponder when you're thinking about LB1305 today. Into the 1960s, paper currency bills were backed by silver as a certificate to be redeemed upon request. Since then, they have become the only Federal Reserve notes and are essentially obsolete, being devalued by 97%. It is with this grave reality in mind that I ask that we remove the barrier from the use of gold and silver as money. As inflation hits the savings and paychecks of the Nebraska people, it is worth noting that even the consumer price index is a manipulated statistic, substituting in goods of lesser quality over time to mask the true degree of the dollar's devaluation. Relative to gold, the dollar has lost 99% of its value over the last 90 years. Rather than taxing people, when the dollar denominated value of gold increases, a more honest system of taxation would allow people to claim losses when the value of their dollar savings diminishes relative to gold. LB1305 is a modest proposal. If we can recognize gold and silver as money, let's build a tax code that treats them like money. As inflation looms, let's remove barriers that block Nebraska people from engaging in commerce with inflation resistant mediums of exchange. The bill makes a minor technical change in the existing definition of bullion to include notes, leaf, foil and film as modern versions of gold and silver money as to incorporate these new technologies. Overall, people are beginning to understand that the weak foundation built by the Federal Reserve System is quickly crumbling. Let us help each Nebraskan who acts upon their constitutional right and choose to place their hard earned assets in gold and silver. I appreciate your time today and ask for your support of LB1315, and I'll do my best to answer any questions, but I do have

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some people behind me that might be able to answer pretty much any question that you have.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none. Thank you.

**HANSEN:** Thank you.

**LINEHAN:** Do we have proponents? Good afternoon.

**J. P. CORTEZ:** Hi there. Senator Linehan and the rest of the Revenue Committee, thank you very much for the opportunity to testify today. My name is J.P. Cortez, J. P. C-o-r-t-e-z. I'm the executive director of the Sound Money Defense League, and today I stand in strong support of LB1305. I won't repeat too much of what the senator's already covered. I'll try to be brief. So as inflation harms Nebraskans all over, Americans all over, and as banks are failing around us, people are starting to consider and ask themselves questions about money that they haven't asked in a long time. States and individuals are reading gold, gold standards, gold measures at a breakneck pace. In 2024, this year, there have been 59 bills introduced across 23 states to remove taxes on gold and silver, to make it easier to use, to remove disincentives to using gold and silver as money. There are three states that have already done what we're talking about here. Utah, Wyoming and Arizona recently did this. There are also states that are considering this very legislation at this time, Florida, Georgia, Iowa, Kansas, Mississippi, Missouri, Oklahoma and West Virginia. Of those states, last week, the Iowa Appropriations subcommittee unanimously voted this out in support. Last month, the Kansas Senate committee also supported this bill. One of the reasons why this bill is important is the adoption of gold and silver as money-- gold and silver as money aren't-- we're not using the dollar because the dollar's a great money. The dollar is our only choice. All of the other alternatives have taxes imposed on them and other disincentives to their use. So in a market where gold and silver are allowed to be treated as money, as equals. We might see that people choose to save or store or even transact in gold and silver. Another note I want to quickly make is about the fiscal note. I understand that this bill has one. I do want to say that the bill was intentionally written to be tax neutral. If you look at the language of the bill, it subtracts and it gains-- or excuse me, it subtracts any losses and adds back any gains. So the, it's not just a capital gains deduction, or a capital gains exemption that's happening here. It cuts both ways. So this is revenue neutral, and in any given year could actually increase state

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revenues. Last thing is just, gold and silver are money. We don't and can't expect people to claim capital gains or capital losses on the US dollar. For that reason, gold and silver should be treated as money as well. So thank you very much. And I'm available for any questions.

**LINEHAN:** Thank you. Are there questions from the committee? Seeing none, thank you very much for being here. Next proponent?

**PAT MORAN:** My name is Pat Moran, P-a-t M-o-r-a-n, and I'm happy to be here and honored. I was hoping that my daughter read this for me. I couldn't talk her into it. She's 13 years old, but I thought it'd be a great experience. Members of the committee, I'm here to testify in support of LB1305. My wife, Jennifer, and I have been in the owners of Lincoln Coin and Bullion since 2019. Our concern is the access to, and taxation of, gold and silver bullion. When I purchased this business when the former owners decided to retire, I was a mechanical engineer with very little knowledge of the bullion business. I very quickly learned that my customers, fellow citizens of Nebraska, purchased bullion (and bullion being the vast majority of our business) because they are fearful of global financial uncertainty, but much more so inflation and the ever growing national debt, which has been by facili-- facilitated by the debasement of the US dollar away from gold and silver starting around 100 years ago. When most people think of gold bullion, they think of bars. And I may have forgot my normal pocket square, but I decided to use a gold kilo. It's about \$64,000 worth of gold. But I was also told I can't use props, which I have much more in my pockets, and so I won't. But if you could visualize a pack of gum, its a ten ounce gold bar, around \$20,000. One ounce gold coin, \$2,000. The majority of my customers buy bullion in the form of legal tender, one example being a gold American Eagle, if you can visualize it. It's a one ounce gold coin, and the purpose of-- they're made for the purpose of owning gold bullion. Again, they have a value of around \$2,000. Oh, boy. And a tenth ounce Gold Eagle's \$200. And there's silver as well. I serve customers of all walks of life, from laborers to professional. You see, a lot of the 50 plus crowd who are looking to protect their savings. And we see their concerns again and again. They feel more secure to have gold and silver in their hands. And when we sell bullion, we issue 1099s as required by law. Many customers are surprised to learn that there's a tax on money and-- a tax on money. And again, it is money. It's legal tender of the United States. And the United States mint is required to mint gold and silver eagles for public demand. I-- it's-- OK, so debasement, debasement of the, the dollar-- well, I'm red, so.

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**LINEHAN:** Thank you. We'll wait and see if anybody has any questions, so are there any questions from the committee? I think you said the gold eagle has a value-- you're-- is there a typo here? I thought you said \$2,000, this says \$200.

**PAT MORAN:** The 10th ounce Gold Eagle is \$200, so it's one tenth of an ounce.

**LINEHAN:** OK, I see.

**PAT MORAN:** Right before it, it says \$2,000 on the one ounce Gold Eagle.

**LINEHAN:** So people buy them, and then you buy them. I mean, are you in the trade of buying and selling?

**PAT MORAN:** Yeah. We're a dealer. Yeah. We'll go both directions.

**LINEHAN:** So if people sell it to you, you have to issue a 1099.

**PAT MORAN:** In certain-- in certain cases, yes. It depends on--

**LINEHAN:** If they make money.

**PAT MORAN:** What's that?

**LINEHAN:** If they have -- if they have a gain?

**PAT MORAN:** No, it's, it's dictated by how much they sell in a 24 hour period. So until they hit a certain threshold, then we don't issue the 1099s. They can ask us to, and we've had folks do that, but otherwise we don't.

**LINEHAN:** Thank you. Are there any other questions from the committee? Seeing none, thank you very much for being here. Are there other proponents?

**DOUG FITZGERALD:** Good afternoon.

**LINEHAN:** Good afternoon.

**DOUG FITZGERALD:** Chairperson Linehan and members of the Revenue Committee, thank you so much for the opportunity to speak to you about something that I am extremely passionate about, and that is teaching people about the value of money. I am Doug Fitzgerald, D-o-u-g F-i-t-z-g-e-r-a-l-d. I'm a lifelong resident of Nebraska except for

five years with a stint in Texas, and I hope you don't hold that against me. I grew up on a farm in Albion, Nebraska, where my dad owned a farm and a fuel business. I was raised to understand the true value of money. My wife, Tammie, and I own four businesses that we manage, and have for over 20 years. I'm also the host of a nationally syndicated radio program, of which one area that we regularly bring on experts is in the area of personal money management. Tammie and I have two amazing kiddos. My son, Dylan is 26, he works at a local bank, and my daughter is 23, and she owns her own business here in Lincoln. I've always taught them that whenever you work hard for your money, you are exchanging seconds, minutes and hours of your life for dollars that you can never get back. So make sure that you wisely steward the dollars that you work for, so that it can serve you, and you don't serve the dollar. For over 3,000 years, gold and silver have been money and have retained their purchasing power over that time. According to the United States Constitution, under Article I, Section 10, it instructs states to make payment in nothing but gold and silver coin, and it authorizes the federal government to coin gold and silver as money. Therefore, gold and silver were established as the core form of money in the United States. In 1933, the U.S. Department of Treasury stopped using gold to make coinage. In 1965, the Treasury stopped using silver to make coinage in dimes and quarters, and in 1970 the Treasury stopped using silver to make our coinage in half dollars. And then in 1971, President Richard Nixon, in conjunction with the U.S. Department of Treasury, took us off the gold standard. Now, there are several different ways to demonstrate how gold and silver retain their purchasing power over time and counteract inflation. But I'd like to take us back in time to 1964 and 1965. In 1964, each quarter was made of 90% silver and could purchase one gallon of gas. In 1965, the U.S. Department of Treasury began minting the quarter out of copper and nickel that quarters could still purchase one gallon of gas. Fast forward to today. The 1965 quarter, made out of copper and nickel, can get you one gumball, if that. But that 1964 quarter, made out of 90% silver, has a silver value of approximately \$4 and can still buy you one gallon of gas.

**LINEHAN:** OK. You're late. Can you wrap up?

**DOUG FITZGERALD:** Sure. So, so basically this. I want you to, to, to consider this legislation. We shouldn't be taxed on money. We are not taxed on the dollars you have in your pocket. You're not taxed on the digital numbers that are on your credit card. And since gold and silver are by the US Constitution considered money, I would encourage you to pass LB1305. Thank you so much for your time.



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**LINEHAN:** Thank you very much.

**DOUG FITZGERALD:** You bet.

**LINEHAN:** I think-- yes, Senator Meyer.

**MEYER:** Yes. Thank you Chairman Linehan. That-- and I-- not just for the sake of discussion. I'm, I'm looking at quotes for the CME Group, and here's gold and silver as a commodity, traded as a commodity, not money.

**DOUG FITZGERALD:** It's traded as a--

**MEYER:** So in the big world of finance, it's not money, it's a commodity.

**DOUG FITZGERALD:** But the US government does also mint the gold eagle and, and silver eagle, which are minted as \$1 and \$50.

**MEYER:** But, but you can buy futures in all of these commodities.

**DOUG FITZGERALD:** Sure you can buy stocks--

**MEYER:** Trade those--

**DOUG FITZGERALD:** --and ETFs and all that.

**MEYER:** --and pay capital gains on all that.

**DOUG FITZGERALD:** They may, they may or may not even hold the physical commodities, so.

**MEYER:** Thank you.

**DOUG FITZGERALD:** Yep. Sure.

**LINEHAN:** Thank you, Senator Meyer. Are there other questions from the committee? Seeing none. Thank you for coming here.

**DOUG FITZGERALD:** All right. Thank you.

**LINEHAN:** We appreciate it. Are there other proponents? Are there any other proponents? Are there any opponents? Anyone wanting to testify in the neutral position? Senator-- oh, yes, we do have letters. 19 pro-- is this the right one?

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**CHARLES HAMILTON:** Yeah.

**LINEHAN:** 19 proponents, 1 opponent, and 1 neutral. Senator Hansen, would you like to close?

**HANSEN:** Yes, briefly. In essence, and I think the proponents mentioned this as well, the essence of this bill is that this is currency. Whether you put dollar bills in your mattress or whether you put gold bars in your mattress, they should both be treated the same. They should both not be-- they should be taxed the same, or not taxed the same. And so in essence, that's what we're trying to get with this bill. We are adding in some parts of this bill where now gold has been used and sold in different ways in tin, foil, and go-- in coins, which is why we added some of that definition in the bill as well. And so in essence, that's what this really comes down to. We got rid of sales tax on this a long time ago, and actually not that long ago. And so we're just looking to kind of treat the same as a dollar bill is in your pocket, because they're both treated as currency, especially when it's in our U.S. Constitution. So that's the essence of the bill. So thank you.

**LINEHAN:** Thank you. Are there questions from the committee? Senator von Gillern.

**von GILLERN:** Senator Hansen, what's a-- Does this jibe with federal regulations? What, what do the feds say about this?

**HANSEN:** Like, when it comes to, like, taxing it?

**von GILLERN:** Is, is this bill-- does this align us with federal tax regulations, or--

**HANSEN:** I can't answer, but--

**von GILLERN:** Can't do that.

**J. P. CORTEZ:** Yeah, the feds are going to collect it after [INAUDIBLE].

**HANSEN:** No, the-- yes. The feds, yeah. Yeah. No.

**von GILLERN:** Yes, no.

**HANSEN:** No. In essence no.

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**von GILLERN:** OK. So it makes us different than what the feds are doing.

**HANSEN:** I can answer that for you later, or--

**von GILLERN:** Thank you.

**HANSEN:** I just to make sure I get the right answer for you, I don't say something wrong, so--

**von GILLERN:** I'd be perfectly happy with that. OK.

**LINEHAN:** Thank you. Senator Dungan.

**DUNGAN:** Thank you, Chair Linehan. By way of maybe answering that, I'm doing brief research, because I'm curious how the feds treat this as well. And it sounds like, and you can tell me if I'm correct or not, if that sounds right, that the federal government treats it as a collectible, which I think I also just heard. So it's a capital gains that's 28%, I think, is the tax on the capital gains when you sell or buy the gold. So it's treated-- we. we-- this is different than what the feds do.

**von GILLERN:** OK.

**DUNGAN:** Is what it sounds like.

**von GILLERN:** Thank you.

**HANSEN:** And isn't it good to not be the same as the federal government? And give people the freedom?

**von GILLERN:** I wasn't leaning in one direction at all. I was asking.

**LINEHAN:** Thank you, Senator von Gillern and Senator Dungan. So one of the testifiers said it's meant-- the fiscal note doesn't make it revenue neutral, but he said it was written to be-- and you don't have to understand, but I think the committee would be interested in understanding what, what was supposed to make it neutral.

**HANSEN:** I think when it comes to capital gains, like what's reported and what's not, so you're reporting the capital gains as opposed to losses. And I think what we have to take with the federal or the, the fiscal note is kind of take-- I would assume take it with a kind of a large grain of salt because the market value of gold and silver

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changes. And so it's-- I think it's hard to determine what the fiscal note would be on something like this. So I think they're doing their best to determine, like, the fluidity of the gold and silver market. But my understanding is it's how-- it's how it's reported. Again, I can answer that for you in much more detail afterwards. But from my understanding, that's how it's reported in the fiscal note.

**LINEHAN:** So we did take the sales tax off of it?

**HANSEN:** Yes.

**LINEHAN:** I think we did. OK. We did.

**HANSEN:** Back in 2010 or 2014 or--

**LINEHAN:** OK. All right. Any other questions from the committee? Seeing none, thank you very much for being here.

**HANSEN:** Thank you. Appreciate it.

**LINEHAN:** With that, I'll turn the committee over to Senator von Gillern once again.

**von GILLERN:** That will open on LB1251? LB1251. Welcome, Senator Linehan.

**LINEHAN:** Good afternoon, Vice Chairman von Gillern and members of the Revenue Committee. I'm Lou Ann Linehan, L-o-u-- L--L-o-u A-n-n L-i-n-e-h-a-n, and I represent Legislative District 39. I'm here today to introduce LB1251. LB1251 is an effort to adjust the Sports Area Facility Finance Assistance Act to better support small communities in our state. The adjustments apply to cities of the second class and smaller. Creates a new category within the statute, called a Small Sports Facility, to encapsulate the changes and include the following provisions for such a facility. It decreases the number of sports or fields to qualify from 4 to 2. It adjusts the financing mechanism from the new sales tax created within 600 yards of an approved project to 25% of the state's portion of the sales tax collected within that community city limits for up to five years. These adjustments for these types of facilities are subtle in the greater scope of the program, but will be hugely impactful for Nebraska's smaller communities. Thank you for consideration, and I would support your-- LB1251, and I'm happy to answer your questions. But I do think we have a young woman who's been here all afternoon, better behaved than any

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of my grandchildren, and I think she has more important things to say than I do.

**von GILLERN:** Thank you. Senator Linehan. Any questions from the committee? Thank you. Seeing none, we'll invite up our first proponent.

**KYLE ARGANBRIGHT:** Good afternoon again senators. My name is Kyle Arganbright, K-y-l-e A-r-g-a-n-b-r-i-g-h-t, and respectfully, it's been advised to me by my counterparts at the league that we recommend that the words publicly owned be inserted on page 3, line 20 and page 8, line 15 and 16, which aligns this with LB1197, which I would wholeheartedly support. So, first, I'd like to wish you all an official belated Happy Valentine's Day from the Heart City. I currently serve as the mayor of Valentine, and appear before you representing the Nebraska Chamber of Commerce as a director in the Nebraska Economic Development Association. I realize I'm no John Cook, although Coach Cook and I do share a love of the Sandhills and an appreciation of sports as a personal and economic development tool. I'm just a guy who has worked on a number of rural community development projects throughout western Nebraska over the last decade, and have a humble recommendation to improve the system. Sports facilities create economic activity in communities and add to the quality of life. These are two things that all rural community development allies are laser focused on. However, funding these facilities is becoming a greater challenge. Since pandemic, construction costs have increased nearly 40%. That's 40% on top of the construction that is typically higher in rural areas than it is metro areas. The sources of funding for these projects have not increased at the same rate. The Sports Arena Facility Financing Act was a transformative bill for community development, but needs some slight adjustments to create equal opportunity in rural communities. This bill does two things for cities of the second class. It decreases from 4 to 2 the number of courts or fields that you would need. Candidly, it would be irresponsible for us to build too big. It creates an operating burden, we want to make sure that they're used, and we're conservative by nature. Secondly, it shifts the funding mechanism from new sales tax created within 600 yards to 25% of the sales tax within the city limits. 600 yards in a small town doesn't do a lot. It might catch a handful of retailers, so it's not going to move the needle. We don't expect the state to bail out any community or subsidize projects that can responsibly be done locally. However, we do look-- do look to the state as a partner to fan the flames of progress once a spark has been lit locally. We've entered a time when the math for facilities in

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small towns just isn't working as well as it used to. If these trends sustain, Nebraska will see fewer and fewer community projects, which will ultimately have a negative effect on rural population trends. These adjustments will help make these projects viable, and in turn, improve the odds for Nebraska's smallest communities. Nebraska will only grow as our communities grow. Thank you for your time and support. I'm happy to answer any questions you might have.

**von GILLERN:** Thank you for your testimony. Questions from the committee members? I'll fire, since you drove so far. I hate to let you off this easy. I presume you've got a project in the works. Can you tell us a little bit about it?

**KYLE ARGANBRIGHT:** You know, we've got dreams, right? We, we could use an extra facility in town, both for hosting sports facilities, my daughter will tell you a little bit more about maybe some of the details of why, but also maybe for some convention space. But in, in small towns, we've got to find partners. I'll partner with anybody as long as I trust you, and as long as our goals align. But we cannot do things without partners. And so bringing the state in as a potential partner is hugely valuable. That-- we've, we've, we've penciled some, some projects. The project-- one that we've, we've been penciling would be about \$9 to \$10 million today would have been \$6 and a half million in, in 2019. And that extra \$2.5 million is just tough to come by.

**von GILLERN:** OK. Any other questions? Senator Murman.

**MURMAN:** I know a lot of towns in approximately the sound-- the size of the-- that this bill pertains to. They're probably most of them, most all of them have a YMCA. I don't know if they wouldn't qualify, I suppose, probably because it's got to be used primarily for competitive sports, maybe. But I, I think a lot of cities of this size do work together with the YMCA, with facilities and support.

**KYLE ARGANBRIGHT:** Yeah, they do. In, in more smaller towns they're just rec centers that are typically municipally owned. So the smallest YMCA in the country is in Gothenburg, Nebraska. And it's actually an outpost of the Holdrege YMCA, which is an outpost of the Kearney YMCA. And so, we don't have the nonprofits to help us in these capacities. In fact, when, you know, when the shovel ready bills were coming around and, and you had to have a nonprofit apply, and we didn't have-- we, we don't have 501(c)(3)s that are ready, let alone funded, to support these types of deals. So it ends up falling on the backs

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of, of some local entity, typically the city because we're more flexible.

**MURMAN:** OK. Thank you.

**KYLE ARGANBRIGHT:** Yep.

**von GILLERN:** And I'll add in the form of a question. Your first comment, it must be publicly owned.

**KYLE ARGANBRIGHT:** Yes.

**von GILLERN:** Yeah. Thank you. Any other questions? Seeing none, we'll invite up our next proponent.

**KYLE ARGANBRIGHT:** Thank you.

**von GILLERN:** Great anticipation. Hi there.

**CLAIRE ARGANBRIGHT:** Hi. Good afternoon. My name is Claire Arganbright, C-l-a-i-r-e A-r-g-a-n-b-r-i-g-h-t. I am nine years old and a third grader at Valentine Elementary School. I'm here to speak in support of LB1251. I'm involved in many sports such as dance, football, basketball, and volleyball. We practice in Valentine, often not getting home until after 8:30 p.m. because of not having enough gym space in town. My mom tells me this is after my bedtime. For games, we travel to other towns to play kids our age, including boys and girls teams. We typically travel two hours and sometimes much more. Having more gym space in Valentine will help kids like me get more practice time, and more chances to play in front of family and friends, and get to bed earlier. Also, more gym space will help us be more active in the winter. During, during winters like last year when we got our 100 inches of snow, it was super cold and we couldn't sled or ice fish like normal. More gym space will help us keep healthy and away from our screens. When I asked my dad why we don't have another competition gym, it's bec-- he said it's because we-- there's not always enough money in town, and I don't know all the money parts yet, but I do know it'd be awesome if the state helped us small town kids the way it helps the big city kids in supporting buildings and sports places. Thank you for your time. Do you have any questions?

**von GILLERN:** We may have some questions. Thank you, Claire, for your testimony. Any questions from the committee members? Yes, Senator Kauth.

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**KAUTH:** How many other kids do you have in your area who are-- first of all, do they know you're here testifying?

**CLAIRE ARGANBRIGHT:** No.

**KAUTH:** OK. If they did know, about how many other kids do you hang out with who, who have that same opinion?

**CLAIRE ARGANBRIGHT:** There's a lot of kids who think that we need more space to do more sports, and have more space for sports.

**KAUTH:** And what sport's your favorite?

**CLAIRE ARGANBRIGHT:** Football?

**KAUTH:** Football.

**CLAIRE ARGANBRIGHT:** Don't tell my mom that.

**KAUTH:** OK.

**CLAIRE ARGANBRIGHT:** She's my dance teacher.

**KAUTH:** I'm guessing she's watching.

**CLAIRE ARGANBRIGHT:** Yeah.

**von GILLERN:** Other questions from committee members? Seeing none, Claire, thank you for being here today. You did very, very well.

**CLAIRE ARGANBRIGHT:** Thank you.

**von GILLERN:** Thank you for your testimony. Next proponent testifier.

**LYNN REX:** That's a tough act to follow.

**von GILLERN:** That is a tough one.

**LYNN REX:** Yes. Senator von Gillern, members of the committee, my name is Lynn Rex, L-y-n-n R-e-x representing the League of Nebraska Municipalities. We appreciate the opportunity to be here today. As I indicated walking up here, it is a very tough act to follow, Claire Arganbright. So in any event, just wanted to indicate that we strongly support this bill. I think it takes into consideration the 117 cities of the second class, typically a population of 800 to 5,000. And also the villages, 177 villages across the state of Nebraska, 377 villages



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across the state of Nebraska. I appreciate the fact that Mayor Arganbright pointed out the fact that we should probably make some adjustments to this just to make it comport with LB1197. And he indicated what those changes are, and I'm sure committee counsel will add those. So those that we've identified are page 3, line 20, page 8, lines 15 and 16, just add the words publicly owned. And there may be some other language that you would like to have as well for, for basically making it consistent with a AM2419. So I appreciate Senator Linehan introducing this bill. It's really important for the other, the other parts of the state. I think that this Legislature has done a great job in terms of what's been done in Omaha, Lincoln, cities of the first class. But for second class cities and villages, it's a much different world. And so we want to make sure that they can do some wonderful things, just like other cities can too, and the villages. With that, I'm happy to answer any questions that you might have.

**von GILLERN:** Thank you. Any questions from the committee members? Seeing none--

**LYNN REX:** Thank you very much.

**von GILLERN:** Thank you, Ms. Rex.

**LYNN REX:** Thank you.

**von GILLERN:** Any other proponent testimony? Seeing none, any opponent testimony? Seeing none, anyone who'd like to testify in the neutral position? Seeing none, Senator Linehan, would you like to close? Do we have any letters? We have two proponent letters, zero opponent letters and zero neutral.

**LINEHAN:** I just want to thank the testifiers for being here today, and appreciate how far it is to Valentine, Nebraska. So thank you very much.

**von GILLERN:** Thank you. Any questions for Senator Linehan? Seeing none that will end our hearing on LB1251. And we will open on LB893.

**LINEHAN:** Good afternoon

**TYLER MAHOOD:** Good afternoon.

**LINEHAN:** You can go ahead.

**TYLER MAHOOD:** All right. Good afternoon, Chair Linehan and members of the Revenue Committee. As you can tell, I am not Senator Teresa Ibach. I am Tyler Mahood, her legislative aide, M-a-h-o-o-d. And she represents the 44th Legislative District. We want to thank you for your opport-- for the opportunity to speak to you today about LB893, which would help support value-added agriculture industry across the entire state. LB893 is a simple bill. This minor change in the ImagiNE Nebraska Act would allow businesses which manufacture liquid fertilizers, other chemicals applied to agricultural crops, or any liquid additives for farm vehicle fuel, to be eligible to apply for a property tax credit under the ImagiNE Nebraska Act. And I would like to remind the committee that these credits are not provided to the businesses unless they meet the hiring wage and investment thresholds. While business equipment that is located at a qualified location that is involved directly in the manufacture or processing of agricultural products under current law, it was relayed to our office that-- by individuals in Senator Ibach's district that agricultural products do not include the manufacturing of liquid fertilizer or similar products. By allowing companies that produce these products to qualify under the ImagiNE Nebraska Act, we believe we will be able to attract additional industry to our state that helps us provide high skilled, high paying jobs that further supports the agricultural industry across the state. Thank you for your time and that is my opening.

**LINEHAN:** Thank you. Wait. Because we can ask you technical questions. So do we have any questions from the committee? Seeing none, thank you.

**TYLER MAHOOD:** Thank you.

**LINEHAN:** Are there proponents? Are there any proponents? Are there any opponents? Anyone want to testify in the neutral position?

**MEYER:** That's easy.

**LINEHAN:** Do we have letters? We have three proponents, no opponents, and no neutral. Would you like to close? He waives closing. So that draws our hearing on LB893 to a close, and we will open on LB1084.

**von GILLERN:** Our average time to a bill is going down dramatically.

**LINEHAN:** Go ahead.

**TYLER MAHOOD:** Once again, good afternoon, Chair Linehan and members of the Revenue Committee. I'm Tyler Mahood, M-a-h-o-o-d and Senator

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Ibach's legislative aide who represents LD 44. LB1084 is a bill to adopt the Shortline Rail Modernization Act, which will provide tax credits for shortline rail companies, and also provide tax credits to any company building new rail infrastructure. Sorry.

**LINEHAN:** It's OK, it's fine, you're fine.

**TYLER MAHOOD:** I'm currently having a map passed out that shows where the shortline railroads are in Nebraska, so you can get a better area of the state that this bill is addressing. After years of neglect in maintenance under previous owners, the shortline railroads have taken on the challenge of upgrading their rail infrastructure for the benefit of rural communities and Nebraska farmers who serve as the backbone of our state's economy. The effects of deferred maintenance are clearly seen in certain sections of these rail systems, where tracks over a century old present challenges in efficiency-- efficiently handling industry standard carloads. In some particularly worn areas, trains need to travel at speeds slower than five miles per hour to prevent derailments. This not only hampers efficiency for our businesses, but also poses serious operational risks. Despite this motivation to modernize their tracks, the capital intensive nature of freight railroading, such as \$20,000 to maintain a mile of track or 1 to \$2 million to build new miles of track, necessitates a tax credit to achieve this vital goal that will help increase state revenues, create jobs, ens-- ensure that current industries such as ethanol remain competitive on the global market. At the end of the day, this credit is about economic development and allowing our existing businesses to stay competitive. The tax credit proposed by LB1084 is structured as follows. 50% tax credit for maintenance of way expenditures on existing rail. This is limited to Class II and Class III railroads, and it's capped at \$4 million per year, or a 50 tax-- 50% tax credit for new rail infrastructure that is capped at \$5 million per year. The total annual cap for both of these tax credits under this program would be \$9 million, and it does include a ten year sunset on the program. This bill is based upon successful programs in ten other states, including Kansas, Minnesota, and Oklahoma. I also distributed AM2430, which would allow railroads owned by and operated by cooperative corporations, or railroad lines owned by co-ops to qualify under this program. You'll hear from some industry leaders, but the reality is that without this proposed credit, modernization essential to overcoming operational inefficiencies, and safety risks will continue to be unattainable. We believe this is a chance for Nebraska to incentivize improvements to local infrastructure that will not only benefit railroad-- rail lines, but our industries and

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communities that rely on them. Thank you. And if you have any technical questions, please let me know.

**LINEHAN:** Thank you. Are there any questions from the committee? Seeing none, thank you very much. Our first proponent? Good afternoon.

**TRES MEYER:** Good afternoon. Thank you. Chair Linehan and all the members, I met a couple of you all, committee. My name is Tres Meyer, and I'm here today on behalf of the Nebraska Central Railroad, and the Nebraska State Chamber in support of LB1084, which, which, if enacted, will provide critical, shovel ready investments in the Nebraska shortline infrastructure, allowing for safer and more efficient rail service to all our rural rail customers. The NCRC, in particular, operates 340 miles of track in northeastern and central Nebraska and employs about 90 people on-- boots kind of on the ground at our railroad property. We proudly serve, serve communities such as Ord, Saint Paul, Grand Island, Albion, Norfolk and Columbus, just to name a few. The counties in Nebraska served by our railroad include Valley, Howard, Hall, Greeley, Boone, Nance, Merrick, Hamilton, Polk, Butler, Platte, Madison, and Stanton. NCRC is a vital part of Nebraska's rural, rural economy. Many of the region's largest employers are all rail served and exist because of the connection that NCRC provides to the general railroad system. A significant portion of our traffic is agriculture based. We also serve some steel industry, Nucor Steel in Norfolk, Nebraska, Valero in Albion, Preferred Sands in Genoa, and do several wind projects, different types of pipe projects. The challenge we have on our current infrastructure is that it's-- that that several of our tracks and subsections have decreased their speeds to 10 mile an hour from the 25 mile an hour. Had to do with a variety of poor track conditions, including aging jointed track, deteriorating cross ties, eroding ballast lines. Slower speeds has increased time needed to move cars from interchange to and from customers on our line, which can be detrimental to, to the-- to the-- I know the agriculture system. They usually want those cars to turn quick. In 2024, we are projected to spend 38% of our revenue on infrastructure improvements. Although the 38% seems like a lot, and it is, it pales in comparison to the total cost of infrastructure upgrades needed across the 340 miles in Nebraska. With this credit, farmers, ethanol plants, soy crush facilities, will all be able to move their product economically, and help this rural region compete in global markets, becoming more competitive over-- with overseas shipments that battle with U.S. exports and peak global demand. We do not view this as a credit-- as a sub-- subsidy, but as a means to help us close the major gap between the poor infrastructure today and the efficient rail infrastructure

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needed to support the growth in northeast and central Nebraska so our customers can continue to have reliable rail access, and in turn, support rural economies who rely on them for job creation and retention. Thank you for your consideration of this important legislation.

**LINEHAN:** Thank you very much. Are there any questions from the committee? Senator von Gillern.

**von GILLERN:** Thank you, for your testimony today, this almost this evening, Mr. Meyer. I don't know a lot about shortline railroads, so I'll ask a couple of dumb questions. The-- is-- does federal government play a role? I mean, the feds are involved in the, the-- I'll use the term, the big railroads, as far as pension programs and lots of benefits. And so on.

**TRES MEYER:** So--

**von GILLERN:** Do they play the same role with shortline railroads?

**TRES MEYER:** So-- Well-- , there is a program that from time to time, the CRISI, that we can apply for. Depends on what kind of support we have, you know, who's behind it, who else is applying for it, how much money they've kind of proportioned for that program. But other than that, we just, we up-- we kind of have to maintain our railroads at our own expense.

**von GILLERN:** And don't the other, don't the larger railroads have to maintain their lines at their own expense also?

**TRES MEYER:** Probably.

**von GILLERN:** OK. And that leads to my second question, and I don't want this to come off with any tone.

**TRES MEYER:** Right.

**von GILLERN:** I'm not asking this on any behalf. Why would the state-- why would the taxpayers of the state of Nebraska want to now pitch in for years and years and years of neglect on, on these rail lines that now need to be repaired?

**TRES MEYER:** Well, some of them we've inherited. I mean, the shortline industry, a lot of times, are leased lines from the Class Is. And so they'll, they'll, you know, deteriorate them and then they'll say, all

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right, hey, if you want to try to revive it, revive the economies, do it. If you don't, who cares? And so sometimes we're kind of starting behind the gun in trying to get them back up to speed. And you know, as far as like why would the state do it, you know I think, for us it's just like it competes for dollars. Like where are we going to invest our dollars? Where's the best return for us if we have other shortline railroads like in Oklahoma, or Texas, or Louisiana?

**von GILLERN:** OK. The industries that you mentioned the, the shortlines serve, at least the ones that I caught, ethanol, Nucor Steel, wind, and, and in general, at least today, ag is doing well. Those are all thriving industries. I mean, these-- again, I'm, I'm, I'm struggling a little bit, and I'll listen to the testifiers. I'm not trying--

**TRES MEYER:** Right.

**von GILLERN:** --to be antagonistic--

**TRES MEYER:** No.

**von GILLERN:** --but I do want to challenge a little bit why we would consider throwing money, state money at--

**TRES MEYER:** Just a maintenance portion?

**von GILLERN:** --industries that are thriving and need to be supported by the shortline railroads.

**TRES MEYER:** I mean, a lot of time, I mean the maintenance portion is one thing. And, you know, it's like 2019 when we had the floods, we didn't have any avenue to get money to help us rebuild. No, new business seems to be a huge problem for us as we see industry trying to come in if their projects through the Nebraska economic development, if it's competing with other states. A large portion of that is investment in the track, and just like, how does that work? How do we get help? You know, and a lot of times they'll, they'll locate somewhere else because another state may help them with infrastructure, because it's a large expense.

**von GILLERN:** OK. Thank you. Appreciate it.

**TRES MEYER:** You bet. You bet. Thank you.

**LINEHAN:** Thank you, Senator Von Gillern. Senator Meyer. Wait.

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**MEYER:** Yes, Mr. Meyer. Mr. Meyer. [INAUDIBLE].

**TRES MEYER:** Sorry.

**MEYER:** I guess it's-- I'm, I'm throwing something out there, because as I look at all these lines, they're more or less connected by an ethanol plant on the other end. And would it be a fair statement to say-- or fertilizer. Would it be a fair statement to say transporting this many gallons of ethanol by rail is by far a safer option than by, by truck?

**TRES MEYER:** Oh, yeah, 100%.

**MEYER:** So in response to Senator von Gillern's statement that it's a little bit along those same lines, we can do it this way or that way. If these deteriorate, then we're really stuck with one avenue. And when you're talking a 50 car--

**TRES MEYER:** Yeah.

**MEYER:** Train of ethanol would be how many gallons?

**TRES MEYER:** Well, yeah. I mean, they move in, like 100, 130 cars the, the unit ethanol, that's 4 or 5 truckloads on a car load.

**MEYER:** So we can pick our poison. So that's all true.

**von GILLERN:** Thank you.

**MEYER:** True.

**LINEHAN:** Thank you. Senator Meyer, who represents right here.

**TRES MEYER:** We're glad to have him.

**von GILLERN:** May I?

**LINEHAN:** Yes.

**von GILLERN:** Just just for clarity. Didn't, didn't reference safety at all. I agree 100% with your comment regarding safety. Pipelines would actually be the safest, but I don't think we want to go there tonight.

**TRES MEYER:** Yeah.

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**LINEHAN:** Thank you, Senator von Gillern. So do these short term-- short-- shortlines-- they connect to the-- one of the big ones, right?

**TRES MEYER:** Yeah, yeah.

**LINEHAN:** Because you don't--

**TRES MEYER:** To the general railroad system, and we do interchange on Nebraska Central both with Union Pacific and with BNSF.

**LINEHAN:** OK. Because, like, Congressman Flood, when I was here, he always said we didn't have a railroad track, but you do have a short line from Norfolk down, and then it must-- which does it connect to in Columbus, U.P. or--

**TRES MEYER:** Yeah. Yeah, U.P. in Columbus. But that's Senator, or Congressman Mike Flood?

**LINEHAN:** Yes.

**TRES MEYER:** Yeah we know him well.

**LINEHAN:** Yes.

**TRES MEYER:** I lived next door to him for a while, and [INAUDIBLE].

**LINEHAN:** You might remind him he has a railroad.

**TRES MEYER:** Yeah. And he-- and he knew, yeah, he knew who we were and, and we've asked for support for a long time, so.

**LINEHAN:** OK. All right. Any other questions?

**TRES MEYER:** Even though he supports the four lanes to the Fremont or wherever, we still--

**LINEHAN:** Yes he does.

**TRES MEYER:** We still like him even though Nucor ships way too many trucks.

**LINEHAN:** All right. All right. Thank you for--

**TRES MEYER:** Right.

**LINEHAN:** --being here, we appreciate it. Next proponent?



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**KENT MANNING:** OK. Good afternoon, Claire-- Chair Linehan and members of the revenue committee. My name is Kent Manning with Manning Rail, based in Burress, Nebraska. We are a proud, family owned enterprise which was established by my grandfather in 1924. Today, I seek your support of LB1084. So in 2005, recognizing the importance of preserving essential transportation infrastructure, we acquired the seven mile railroad from the Fillmore Western, preventing its abandonment and dismantling. In 2012, Manning Rail Inc. was established, transforming operation into a shortline railroad, with our primary interchange point with-- being with the BNSF in Fairmont, Nebraska. Our ultimate goal is to facilitate the transportation of grain, reducing reliance on trucks, and providing substantial benefits to local farmers. However, maintaining enhance-- and enhancing the railroad involves significant cost. The proposed bill would play a crucial role in alleviating the financial burden associated with these efforts. By supporting us in our mission, it would contribute to sustainability and prosperity of our local communities, ensuring the continued success of this vital transportation artery. It is very important to maintain these vital arteries of transportation. Everyone needs to realize that if these railroads are gone, they will never come back. This would be detrimental to the overall economy of Nebraska, as there are many opportunities for industries to thrive on these shortlines. Many of our surrounding states have realized this, and have programs in place to support shortline railroads. I sincerely seek your support of LB1084 because it represents a vital step toward improving local infrastructure, fostering economic growth, and securing the well-being of our communities in rural Nebraska. Thank you for your time.

**LINEHAN:** Thank you, Mr. Manning. Are there questions from the committee? Where did you say your line is, shortline?

**KENT MANNING:** What is it? Manning Rail.

**LINEHAN:** But where-- it goes from where to where.

**KENT MANNING:** It goes from this old town of Burress to Fairmont.

**LINEHAN:** OK. I see.

**KENT MANNING:** Maybe it's not on the map.

**LINEHAN:** It is on the map.

**TRES MEYER:** OK.

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**LINEHAN:** Senator von Gillern just showed it to us.

**MURMAN:** It barely is.

**KENT MANNING:** Yeah, it's not very big.

**LINEHAN:** Are there any questions from the committee? Seeing none, thank you very much for being here.

**KENNETH WINSTON:** OK. Thank you.

**LINEHAN:** Other proponents? .

**JEFF KREJDL:** Good afternoon.

**LINEHAN:** Good afternoon.

**JEFF KREJDL:** Thank you for the chance to be here today. My name is Jeff Krejdl, J-e-f-f K-r-e-j-d-l, and I'm the president and CEO of Ag Valley Cooperative, non-stock, head-- headquartered in Edison, Nebraska. We are an agricultural cooperative that serves 1,752 members through 14 strategic locations across southwest Nebraska and northwest Kansas. I'm here today to testify in support of LB1084, the Nebraska Shortline Rail Modernization Act. Rail services in our trade-- [COUGHS] excuse me, our trade territory in rural Nebraska are vital to the success of Ag Valley Cooperative, the members we serve, and the economies of the communities that we operate in. We u-- we utilize rail services to load shuttle trains of grain in three of our locations, as well as unload liquid and dry fertilizer trains in two of those locations. This efficient transportation system not only secures favorable grain prices for our members, but also enables us to pass on cost savings through re-- through reduced crop input costs. We own and operate three locomotives on rail siding that we also maintain and own. The, the tax credit provisions in L-- proposed in LB1084 will be crucial to helping offset the expensive and substantial upkeep and maintenance costs that shortline railroads and owners of rail siding have to incur in order to keep that rail service viable. The rest of my testimony, I'm going to focus on our Maywood, Nebraska location. And for those you don't, don't know who-- where Maywood is, it's, it's a small community about 40 miles south of North Platte, between North Platte and McCook. Our Maywood facility was historically served by the NKCR, which was the Nebraska, Kansas, Colorado Railway, Railway shortline railroad. The NKCR accesses, accesses the BNSF main line at Holdrege, Nebraska. In 2009, Ag Valley Co-op invested \$1,781,000 in elevator upgrades, track upgrades, a fertilizer tank, rail fertilizer

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unloading infrastructure, and a locomotive. These investments, investments facilitated the loading of 110 cars of grain, and the unloading of 65 cars of liquid fertilizer at our Maywood location. The viability and usefulness of those assets were dependent on consistent rail service from the NKCR, and on average, those investments benefited our farmer members and owners by adding between \$.10 and \$.12 a bushel to their grain that they produce, as well as reducing their fertilizer, fertilizer costs by between \$8 and \$9 per ton, a significant financial boost to the local farm, farm economy and the community of Maywood. In 2013, NKCR experienced severe track damage between Loomis and Moorfield, Nebraska, and despite the pivotal role that our facility played in, in the local economy, they opted against investing in those track repairs, and ultimately ceasing service to Maywood. This decision not only hampered our ability to recover our cost and stranded the, the investments we'd put in the Maywood facility, but also detrimentally affected the local farm economy, leading to decrease in grain prices and higher fertilizer costs in and around the Maywood area. I firmly believe that had NKCR, if they were eligible for the tax credits--

**LINEHAN:** You, you hit your red. Like, can you just wrap up?

**JEFF KREJDL:** Sure. Yeah. If they would have had the tax credits available, they would have repaired that track, and we'd still have the service in Maywood today. So Ag Valley supports, I support, LB1084 and I urge, urge you to advance this bill to the floor. So thank you.

**LINEHAN:** Thank you very much, sir. Thank you.

**JEFF KREJDL:** And I'm happy to take any questions.

**LINEHAN:** Thank you. Senator Murman.

**MURMAN:** Yeah. If these, shortline railroads, you know, they're, they're in dire need of repair, we can see that, a lot of the trains can only go, what, 5 to 25 mile an hour on them--

**JEFF KREJDL:** Right.

**MURMAN:** The way it is. If they would go away and everything would have to be done by truck, how badly would that hurt the competitiveness-- the competitiveness of, like, ethanol plants, co-op facilities, fertilizer facilities and manned-- the ag economy in general?

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**JEFF KREJDL:** Sure. So, so the, you know, the shuttle train rates for grain-- and like I said, we-- that added about \$.08 to \$0.10 a bushel or \$.10 to \$0.12 a bushel average to the farm-- to the price that we can offer our farmers for their grain. And so when that goes away, we, we don't have the ability it's-- truck rates are more expensive. And so it, it hurts, you know, the ability for them to get a higher price, along with the reduced-- the cost of fertilizer, makes it less competitive as well.

**MURMAN:** In other words, very essential for economic development, and even to keep the economic development that we've invested in in the last 30 years or so.

**JEFF KREJDL:** Yeah. You know, like I said, we invested almost \$1.8 million, and those assets today are, are not being utilized because there's no rail service in Maywood, so.

**MURMAN:** Sure. Thank you.

**LINEHAN:** Thank you, Senator Murman. Are there other questions from the committee? Seeing none, thank you for being here.

**JEFF KREJDL:** Thank you.

**LINEHAN:** Appreciate it. Next proponent? Good afternoon

**ADAM FESER:** Good afternoon, Chairman Linehan and members of the Revenue Committee. My name is Adam Feser, Adam Feser. I'm the Director of Cooperative Advancement for the Nebraska Cooperative Council. We are a statewide nonprofit trade association representing nearly all of Nebraska's supply and marketing agricultural cooperatives, several rural electric and telephone cooperatives as well. Farmer owned cooperatives are the backbone of Nebraska's econ-- rural economy. Our cooperatives have over 400 locations across the state, with the vast majority being in rural communities. Cooperatives are owned by their farm-- their farmer members, so they have to serve farmers where they are, not just where it's profitable, right? Not just where there's a mainline, they serve them anywhere they are. I think that's one thing that sets apart cooperatives and it's really important for these communities that they have cooperatives, because any profits they get are going back to the farmer. Those farmers live there, they're reinvesting that in the schools and the businesses in those small towns. In the absence of the cooperative, a lot of these towns wouldn't have jobs, wouldn't have a lot of revenue to keep the town

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afloat, so to speak. So I want to skip there a little bit. Why we want these things to exist is because we need to have these places connected to the main lines for things like the amount of difference in cost of fertilizer, the amount you're going to get better prices for, those funds stay in our communities because they have access to things like shortlines. So it's really important. Like if one closes, that really hurts the economy in that area. So I think Jeff's testimony made that clear. But, obviously the upkeep for these rail lines is important, incentive to build, to connect new areas, to have better access to markets is important. The council and our members would like to thank Senator Ibach for introducing this bill and for working with us to get language to the amendment to make sure cooperatives and their members are able to benefit from the tax credits in it. I know it's been a really long hearing, so I'll try to wrap up now instead of reading the rest of it. We encourage you to advance this to the floor, and I'll try my best to answer any questions you might have.

**LINEHAN:** Thank you very much. Are there questions from the committee? I don't know if this is even a, a g-- I shouldn't say. It's a question. I don't know if it's answerable. So a train, a one car train-- yes, that's what they call them, train car. How many semis would it take to move the same amount of grain you could move in one rail car?

**ADAM FESER:** I heard an answer before, I'm--

**KENT MANNING:** Three, three to four.

\_\_\_\_\_: Three and a half.

**LINEHAN:** Three to four.

**von GILLERN:** Is this is a sixth grade story problem?

**ADAM FESER:** I do those every morning, I, I can't do it right now.

**LINEHAN:** So, so it, it's either going to move by train or by truck, and it would-- one car's three to four trucks.

**ADAM FESER:** And, and a lot of times the contracts are able to get on those, and Jeff would've been better for this than I would. But if you're able to use like a shuttle loader, they'll get be-- you'll get a better price for your grain because it'll be able to go faster and not if I'm speaking. OK.

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**LINEHAN:** Yes, going like this. OK. Thank you very much. Yes, Senator Kauth, and then Senator Murman.

**KAUTH:** Thank you, Chair Linehan. So, Mister Feser. Feser?

**ADAM FESER:** Yeah.

**KAUTH:** OK.

**ADAM FESER:** You got it right.

**KAUTH:** Do you view this as an economic development bill?

**ADAM FESER:** Abs--absolutely. Both economic development, and kind of sustaining the current economic activity. If we think things have been going well, we can't lose some of these, you know, access to markets and have it continue to go well. So develop-- both development in that hopefully we can build new, new, short, short line railroads, but also sustaining what we already have and keeping competitive with other states. Like I didn't really mention, but I think the usage rate in other states is like over 90%, showing that there's a great need for it and that, you know, it's not just something that they have and don't use. It's a tax credit that they utilize to fix rail lines, to build new rail lines that benefit, in our case, our cooperative and the farmers that are the member owners, but other industries as well in those rural communities.

**KAUTH:** OK, thank you.

**LINEHAN:** Thank you. Senator Murman.

**MURMAN:** And I think another problem that if these shortline railroads go away, it's-- even the plants that are along the shortline railroads or at the end, anywhere along there will be at risk of going out of business.

**ADAM FESER:** Oh absolutely.

**MURMAN:** So the grain and all that will have to be hauled to a mainline rail to the U.P. or the Burlington line.

**ADAM FESER:** And it wouldn't take long for that cost to make no sense, and you'd just close it and open it somewhere else. So the rural communities that are connected through shortlines then suffer, you know, dramatically from that.

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**MURMAN:** Yep. Thank you.

**LINEHAN:** Thank you, Senator Murman. Other questions from the committee? Seeing none. Thank you very much for being here. Are there other proponents? Are there any opponents? Anyone wanting to testify in the neutral position?

**ANDREW FOUST:** Good afternoon.

**LINEHAN:** Good afternoon.

**ANDREW FOUST:** Chairperson Linehan and members of the Revenue Committee, my name is Andrew Foust, A-n-d-r-e-w F-o-u-s-t. I'm the Nebraska legislative director for Smart-TD. We are a labor organization repreme-- representing members from Union Pacific, BNSF, and the Nebraska Central Railroad. We would like to thank Senator Ibach for introducing LB1084, and supporting job growth in Nebraska. I'm here today to testify as a neutral on LB1084. While our organization supports the bill, we do not support the language in section 2, item 3. It states, qualified new rail infrastructure expenditures means expenditures for new rail infrastructures and improvements, including but not limited to, the acquisition of right of way, engineering, construction of tracks such as industrial leads, switches, spurs, sidings and loading docks improvements, and transloading structures involved with servicing customer locations or expansions by any railroad located in Nebraska. This language would include all railroad companies. If this bill was passed the way it was written, Class I railroads would be able to apply for the tax credit. With, with the development of the inland ports across the state, not one of the approved ports is connected to a shortline railroad at this time. As written, this tax credit would not be beneficial to the shortline railroads located in Nebraska, and that would give the ability to the Class I roads to take full advantage, and all of the, tax credits away from the shortline railroads. If this bill is to encourage shortline railroad expansion, we ask that the language be changed to include only shortline railroads. Thank you for allowing me to testify today. I'd be happy to answer any questions you might have.

**LINEHAN:** Thank you very much. Are there questions from the committee? I, I think Union Pacific did put a railhead into North Platte. Or they're going to, aren't they?

**ANDREW FOUST:** They've been approved for inland port in Hershey, Nebraska.

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**LINEHAN:** Right.

**ANDREW FOUST:** Which-- it, it ties right into their main line. There's also an inland port request for Fremont, Nebraska, which is right off Union Pacific rail. And then in Senator Meyer's district, I think Grand Island is going to apply for an inland port, and that ties into Union Pacific and BNSF. There is no short line railroad that would take advantage of this inland port.

**LINEHAN:** OK. That wasn't really my question, but--

**ANDREW FOUST:** I'm sorry.

**LINEHAN:** No, no. That's OK. I, I don't have the capacity to remember exactly how that works. OK, any other questions from the committee? Thank you very much for being here, appreciate it. Yes. Thank you. Are there any other people wanting to testify in the neutral position?

**MEYER:** Chairman?

**LINEHAN:** Oh.

**MEYER:** Yeah, I want to talk to the closer.

**LINEHAN:** Yes. Well, I'm, I'm going to call him up here. OK, do we have any other neutral? We do have letters. We have five proponents, no opponent-- five proponents, no opponents, and one in neutral. Yes.

**TYLER MAHOOD:** The closure is here.

**MEYER:** In light of that previous testifier, I guess I would respectfully request that Senator Ibach change that, because I don't know if I could support it if the Class Is were able to access that \$5 million, because they would sweep that immediately.

**TYLER MAHOOD:** OK. Can I-- yeah, I can respond. So looking at the way the bill was drafted, there is the 50% tax credit for maintenance on right of way for existing rails that is limited to Class II and Class III. And he is correct that there is a \$5 million that anybody could get for the new rail infrastructure. So Class I one can get the \$5 million, but they're prevented from getting the \$4 million piece of the credit, so.

**LINEHAN:** I think-- you want to respond to that?



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**MEYER:** Well, just additional question, was, was that, Senator Ibach's original intent that some of that would go to Class Is?

**TYLER MAHOOD:** I'll have to double check with her. But I think one of the intents was that Class Is would-- could be incentivized to create new rail to connect to new shortline rails, or-- if I'm remembering correctly. But I think that was part of the intent, you-- the class ones would be incentivized to create new lines to connect to the shortlines.

**MEYER:** OK, because these, these inland ports would, would monopolize those funds.

**TYLER MAHOOD:** I will double-check on that.

**MEYER:** OK. Thank you. That's all, so.

**LINEHAN:** Thank you, Senator Meyer. Senator Kauth.

**KAUTH:** Thank you, Chair Linehan. I don't expect you to know the answer to this, but in your opposition, there was no opposition today to this. So Nebraska State Education Association did not show up.

**TYLER MAHOOD:** To my understanding, yes.

**KAUTH:** This is a tax credit. Correct?

**TYLER MAHOOD:** This would be a tax credit, 50% of what they invested.

**KAUTH:** Do you believe that this would hurt public schools?

**TYLER MAHOOD:** Kind of respectfully decline to answer on the record.

**KAUTH:** Smart man.

**LINEHAN:** All right. Are there other questions? Seeing none, that brings the hearing of LB1084 to a close, and happy weekend.