

Good afternoon Sen. Smith and Members of the Revenue Committee,

My name is Jay Rempe and I'm here on behalf of the Nebraska Agriculture Leaders Working Group, which is comprised of the elected leaders of the Nebraska Cattlemen, the Nebraska Corn Growers Association, the Nebraska Farm Bureau Federation, the Nebraska Pork Producers Association, the Nebraska Soybean Association, and the Nebraska State Dairy Association. The Ag Leaders would like to express support for LB 640, introduced by Senator Groene, which is an attempt to address the imbalanced approach our State currently takes to funding K-12 education.

LB 640 would cap property taxes at 60 percent of a school's general fund revenue, change the maximum levy for school districts from \$1.05 to \$1.00, and reduce the Local Effort Rate to 95 cents. As written, the bill would pull 102 million dollars from the Property Tax Credit Fund to pay for 75 percent of the "gap" left from the 60 percent cap on property taxes, while leaving the remaining 25 percent to a vote of the local school board. This 102 million would primarily benefit non-equalized schools. The bill would pull an additional 62 million from the Property Tax Credit Fund to pay for a reduction in the Local Effort Rate, which would primarily benefit equalized schools.

The agriculture interests I'm representing believe the underlying mechanism in LB 640 merits consideration, even though, as written, the bill is largely a wash as it relates to property tax reduction.

- Takes \$164 million from PTC (increasing property taxes) and repurposing thru LB 640 (decreasing taxes)—won't change overall property taxes relief except:
 - Required spending cuts (25%) anywhere from 0% to 7.4% of spending
 - Maximum levy drop could result in additional savings not offset thru state aid
- Taking this amount of dollars from the PTC would result in a loss in property tax relief for owners of agricultural land of about \$78 million. This is the amount of credit owners of agricultural land owners would receive if the money remained in the PTC. My estimates suggest owners of agricultural land would experience property tax reductions under LB 640 of \$81 million. So, in net, it's largely a wash.
 - LER--\$29 million loss/\$9 million gain
 - 60% cap--\$49 million loss/\$72 million gain
- There will be some slippage in terms of relief—PTC subtracted directly from amount owed with this bill dollars will get siphoned away due to spending

- And, the property tax reduction will be experienced differently, the impact to individual taxpayers will vary because of the different mechanisms

However, we support the bill because we believe the 60% cap mechanism in the bill can be an effective means to provide property taxes relief, particularly to those schools that currently do not receive equalized aid. We'd offer three suggestions to improve the bill:

1. Fund the bill with revenue from alternative sources – such as the sales tax on remote internet sellers or expanding the sales tax base – and not the PTC.
2. We think the bill can be tightened to better assure any dollars distributed to schools does indeed reduce property taxes.
3. We believe the approach taken in LB 640 lends itself to phasing-in further reductions in property taxes for schools in the future. Moving beyond the 60% cap—to 55% etc.

We have additional and more specific recommendations on which I'd happily elaborate if there are questions. Thank you.