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April 22, 2021

Senator Lou Ann Linehan, Chair
and Members of the Revenue Committee
State Capitol, Lincoln

LR 22CA (Linehan) Constitutional amendment to limit the total amount of property tax revenue that may be raised by political subdivisions.

OPPOSE

Dear Senators,

The League of Women Voters of Nebraska opposes LR 22CA which would limit the total amount of property tax revenue that may be raised by political subdivisions, capping collections at 3%. LWVNE believes that the state's primary responsibility is to provide adequate funding, in priority order, for all levels of education, human services programs, aid to local governments, government services, and economic development. The League does not support the imposition of fixed percentage "lids" on state expenditures as a proper method of budget reduction or the use of deficit spending in times of inadequate revenue. We support a comprehensive, fair, and long-term plan to provide equitable revenue sources for state budget obligations.

The League understands that property tax levels are high and inequitable; however, last year, LB 1107 already secured a major tax credit for property tax relief. In 2019-2020, \$275 million was allocated as part of the Property Tax Credit with plans to increase that amount if the General Fund revenue increased above 3.5%.

This year even more is being promised to property owners due to increased and unexpected revenues. In addition, property tax relief is promised with increased revenue from horse racing and gambling casino operations. Both will make headway on property tax relief, even surpassing the \$275 million cap on tax relief amounts unless there is growth exceeding 3.5%. In total \$1.45 billion is the projected amount of tax relief earmarked for this budget.

Of great concern is the impact LR 22CA will have on local school district budgets. Part of the intent of this legislation is to urge school districts to be prudent stewards of financial resources. Yet, in Nebraska, districts are already being asked to function with limited state funds, ranking 49th in state funding to schools. In neighboring states, Colorado, Iowa, and Kansas, state funds make up 41%, 53%, and 65% of school budgets respectively, while Nebraska state funds make up only 32%. Without adequate state funding, school districts are forced to rely more on property owners, particularly burdening rural home and agricultural landowners.

To offset the onerousness of a property tax cap, senators suggest that political subdivisions may legally float a bond issue. The argument does not acknowledge a bond vote of the people is expensive, tends to

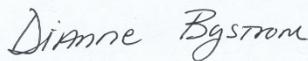
be highly political, and disproportionately leans to the will of the more financially advantaged areas. In addition, these taxing entities already operate on a 2.5% Basic Allowable Growth Rate beyond the previous budget. In another bill this session, LB2, agricultural and horticultural land valuation would reduce the already lowered rate of 75% to around 50% where bonds are concerned. These measures would indicate that property tax relief has gained priority over all other budgetary obligations, creating real and lasting implications for the basic services the state and communities must provide.

We support property tax relief, but only after the state funds its obligations, upholds current law, and incorporates comprehensive and long-term planning. An equitable system of income, sales, and property taxes; innovative ways to grow our economy; sensible incentives to attract and keep a talented workforce; smart methods to reduce prison overcrowding without new construction; and the development of important infrastructure like Broadband can help Nebraskans get the most out of their tax dollars. We cannot ask our communities to make the false choice between those who “pay the taxes” and those who “use the taxes;” they are one in the same.

We ask the Legislature to make better use of all the tools available in reworking our budget process.

Respectfully,

Rachel M. Gibson, LWVNE, Social Policy Committee
Carol Dennison, LWVNE, Director of Social Policy



Dianne Bystrom
Co-President



Linda Duckworth
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