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SENATOR WARNER: Senator Bohlke, Members of the Committee, Jerome Warner, 25th Legislative District, LB 1290 is a very simple bill. It changes the number four to the number five.

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However, that small change does have some controversy about it. Well, I'd like to go back, this section, as you can tell from the bill, was a portion of LB 1059, the state aid bill that was enacted in 1990, and provisions of that bill at the time that it was enacted was a requirement the Department of Revenue would compute and certify to the Department of Education on an annual basis the adjusted valuation by county and by school district as to whether or not their assessed valuations were ... were equal intercounty, intracounty and by class of property. The... those of you who are familiar with the state aid bill well know that the level of equalization of value becomes a very key feature in the distribution of state aid as the district's measurement of ability to pay essentially is based on the amount of assessed valuation per pupil within that school district and the resulting revenue that can be raised for the education of the children who attend that K-12 or K... attend the school within that school district. It's not a new issue. The issue of equalization has been around Nebraska for as long as we were a state and has always had a certain amount of controversy. In 1967, when I was, then introduced the first state aid bill that was enacted, since we quit having state aid to schools in 1903, I spent a lot of time then looking at ways to build in an analysis of valuation or ability to pay for the distribution of state aid in order to provide a level playing field for all school districts. We looked at that time, I recall, at Minnesota, which under their distribution formula does have a ... did have at that time, I believe they still do, but at that time had a built-in process in their distribution that looked at the equalization of values between school districts and by class of property. This becomes important because there is, constitutionally, an ability in the distribution of state aid to look at equalization of value and by classes between counties, intercounties, and by classes of property that does not exist constitutionally generally, as we think of the Board of Equalization function in equalization of values. And so there is the opportunity to even be more precise in the... in looking at leveling the field on equalization in the distribution aid that probably extends beyond what the state can do under our current constitution for equalization of values generally. There is some discussion, at least some assumption at least, that there will be discussion of looking at this issue of delaying one year on the basis of how it may or may not affect the distribution of state aid of a given school district. I would hope that that does not become the issue in this bill because the issue needs to be solely one of whether or not the system that is available under existing circumstances

meets the intent of the legislation that originally was enacted. This particular provision was a part of the Nebraska School Finance Review Committee that was... that was not the name of the original committee, that studied, for some period of time, the development of 1059 when it was introduced in 1990, but they also, as time went on, reaffirmed and have since reaffirmed their position that this portion of the bill was important. Quote briefly from a couple of the resolutions that that School Finance Review Committee has taken since the original enactment, and this was a resolution they adopted in February of 1993, they point out that in their final report: The commission found that, in quote, "any formula based on property, while developed to equalize the fiscal ability and property tax burden, must address discrepancies in the assessment of property values among counties and, if feasible, among classes of property within the school district." Then went on to point out, and again quoting from the report, that the "purpose of this provision is to ensure a level playing field in the area of assessment of taxable property so that no school district will be unfairly benefited or penalized by assessment practices which are inconsistent across county lines," and the same holds true within county lines. How did we get where we are? I think in your bill ... in your bill books, I believe, is a chronological order of events, but essentially the 1990, and there's some history before 1990, the passage of was strengthening the equalization. A lot of history, as a matter of fact, but there's some history pointed out in the handout. But in 1990, when the bill was passed, there was included an A bill for 1059 of 593,000-plus dollars for the implementation of this provision. Need to understand the thing that is significantly different than just a simple equalization between counties is the law here requires equalization by school districts rather than just by counties and that becomes significant and the reason it's significant is that obviously, as you know, essentially what is now used for ... primarily what is used, almost exclusively what is used for equalization of sales assessment ratios obviously there could be and would be many school districts in the state that conceivably had no sales or certainly no sales of a particular class of property and so there would not shortage ... short of having a sufficient staff, it went out and did on-site assessments or appraisals. There is no basis in which to find that data that would be necessary to comply with the law with the process we have. So the reason there was five hundred plus thousand, five hundred and ninety-some thousand was a reflection of the need for some additional staff, particularly in the area of these on-site

appraisals in order to provide data to equalize values by class of property between school districts. Well, as things went along, there was 'legislation enacted in 1991, that delayed the initial date, which was to be ... which this provision was to comply with and it was deferred until 1994 and, at the same time, same year, the appropriation that had originally been made to carry out the provisions were also repealed. There has been some discussion since this time as to why this money has not been replaced, which perhaps is another issue, but in my personal position

they're involvement began last summer. In the Revenue Committee, we've... I've spent quite a bit of time as Chairman, I've spent quite a bit of time and we will spend more dealing with the whole issue of equalization of some of the problems that are inherent and needs to be addressed. A lot of progress has been made, but there's always more to be made, but in that process, being aware of the fact that there was a provision in 1059 that these equalizations were to do... to...by school districts were to be provided this year, I requested of the Department of Education and the Department of Revenue to do a preliminary run to get some idea of what the impact of the shift in distribution of funds would be if the act was implemented. This was done in September, I believe. Yes, September. It was only an indication. There was a number of assumptions based on the data we had that made it inaccurate. That is, we had to use two different years, one year for valuation, another year for enrollment for distribution, but it did clearly indicate that there would be some shift. I made the decision at that time at first that I would definitely introduce an appropriation bill, which I have, it's before the Appropriations Committee and I think the hearing is next week, to replace that appropriation that was dropped in 1991, and an accompany to that then is this legislation, which would also delay the date for implementation by one year as well in order to provide an opportunity for the data to be acquired and hopefully acquired in a more precise manner than what is available at this...at this point. I think that the kinds of things that needs to be done, the Department of Revenue will need the time to acquire the information, again, as I've indicated several times, by class of property as well as by school district, but the Department of Revenue then will determine the aggregate sales/assessment ratios for residential and commercial property and make a decision whether those are inside or outside of acceptable deviations. The same is true of ag land, which would be treated that way. And then the most important thing, as I've already indicated, there are those school districts which have a lack of sales. In those

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cases, in order to implement the provisions of 1059, you needed sufficient staffing to be able to go out and make appraisals of value in those school districts where no sales occurred or exist. The need for the delay, from my point, are three reasons. One, I think we need to delay to do a job of... of...can be done, that is valid data can be acquired. In my personal opinion, if we proceed with the kind of data that is available now, which is on a countywide basis, I think we're very ripe for someone to file lawsuit questioning whether or not the distribution of those funds are in compliance with the statute, which requires these comparisons to be made on a per district and by class of property. The comparison, there isn't any question in my mind that the kind of data we have at this point would not permit that and I would suspect that you could end up with state aid being...having...run into some problems in distribution if a lawsuit was filed. And then finally, and perhaps most important, seems to me that to proceed with the distribution adjustment based on data that is not truly accurate in terms of school district by school district, to not make this change will create a greater inequity than to go ahead and delay its implementation by one year. That's the purpose of the bill. Be glad to respond to questions, but I've indicated this is a two...a two, at least a two-phase operation, one which depends upon appropriations and the... through the Appropriations Committee for funds and, secondly, the enactment of this provision, if not in this bill in some bill, in order to delay the 1994 date by one year. In addition, I should

say that it would also be my intent to attach an A bill to this for an appropriation if it doesn't come out of the Appropriations Committee.

SENATOR BOHLKE: Are there any questions? And everyone understands it perfectly. You did a wonderful job, Senator Warner.

SENATOR WARNER: I did. I must have left something out. (LAUGHTER)

SENATOR BOHLKE: Those wishing to testify in support of the bill? I hope that's just a class leaving. (LAUGHTER)

TOM VICKERS: Senator Bohlke and Members of the Education Committee, for the record, my name is Tom Vickers, V-I-C-K-E-R-S, registered lobbyist for the Nebraska

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Association of School Boards, here in support of LB 1290. And I want to tell you that I ... I am in fairly reluctant support, but since Senator Warner did such an outstanding job in explaining the reasonings for the bill, as I told Senator Warner earlier, I wasn't sure whether I was in favor or opposed, we, as an association, are very much in favor of equalization. We have always believed that equalization was one of the major reasons for a state aid formula. We believe that we would like to have had the provisions of 1059 implemented at the outset three years ago that Senator Warner has just described to you, but obviously that didn't happen. Given the fact that the problems that exist, as Senator Warner has outlined them for you, may well cause some problems in the distribution or in the legality of the way that we distribute those funds based on the valuations, we have come to the conclusion that Senator Warner's bill probably does need to pass. In other words, we do like equalization. We like the portion of 1059 dealing with valuations but we want... and we want it done, but we do want it done right and I think that seems to me to be a very key issue. I would also echo something that Senator Warner said that... that this question of valuations as it... as it relates to equalization of monies per state aid is not a new question and is something that, as Senator Warner indicated, you have history in your bill book, obviously, back to 1990. I can tell you, having been on your side of the desk, Senator Bohlke, a good many years before 1990 that was a question then also. Senator Warner obviously was back dealing with those issues long before that. So I would like to tell this committee that we would be happy to try to work with you as we work through this process of finally maybe getting to the questions that some of us have been dealing with for a long, long *time. Be happy to answer any questions.

SENATOR BOHLKE: Thank you, ToM. Are there any questions? I see none. Thank you. Any others?

CLIFF DALE: Senator Bohlke, Members of the Committee, my name is Cliff Dale. I'm the Associate Superintendent for Business for the Lincoln Public Schools and I'm also a member of the Finance Review Commission, (sic) but not here speaking as a member of that commission

but in my role as Associate Superintendent. Just maybe to build upon Senator Warner's comments, number one, equalization and the use of common reassessment practices are very important to 1059. I think all, in shortening my comments, I would just say I think the concern I have would be that if we do this with data that we know we could have better data that it's going

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to imply upon the integrity of 1059 and I think it's very important that we may ... we may have concern sometimes about fine tuning changes and we've talked about tier structure from our district's standpoint, but the importance of 1059 is beyond I that. It's an equalization formula. It's something that was long overdue for the state. Anything that affects that integrity-and makes it... and uses data that we could certainly have better, a better handle on I think would be important. I think secondly then, from the standpoint, there are some counties that have done a very conscientious job of, assessment and maintaining a contemporary and common or a current assessment practice and would not like to see this bill penalize those counties and I think in the current form and the way the information is present, I have a feeling that would be true. And so that would be my comments and I'd respond to any questions you might have.

SENATOR BOHLKE: Thank you, Cliff. Are there any questions? I see none. Others wishing to testify in support of the bill?

STAN KRAVIG: Hi. I'm Stan Kravig, Superintendent of Benedict Public Schools. Also Legislative Chairman and President Elect of the Nebraska Rural Community Schools Association (NRCSA). NRCSA does support LB 1290, but it's sort of like Tom Vickers said a few minutes ago. We support, but when we get done it will almost sound like we oppose. We support it because we realize that the personnel, the resources are probably not there and the accuracy cannot be guaranteed and we support it also because it is a oneyear only delay. But we do feel that valuations do need adjusted for state aid purposes to reflect as nearly as possible taxable value as required by law and the constitution, based upon the best possible assessment practices. The determination of school district state aid for the most part is based upon property values and it is...it has become apparent that there are great differences in those property values from county to county and school district to school district and, as has been pointed out, this does make a tremendous difference in state aid. I'd like to give you a couple of examples. Senator Jones from District 43 told me that in Cherry County a certain type of land or a certain class of land is valued at over 300 dollars per acre while the same class of land in adjoining Hooker County is valued at about half of that amount and this certainly would have an effect upon state aid to the school districts that have that land. Most of you are aware of the recent reevaluation of property in Lincoln. The

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property values were raised initially about 41 percent on the average, as I understand it. I also understand that that has now come down as some hearings have taken place and so on. But based upon the 41 percent figure, a study was done to show what would have happened to state aid distribution if Lincoln was at that new value and all of the other school districts stayed the same. This study revealed that Lincoln would have lost 11 million dollars in state aid which would have been redistributed to other school districts. I'm certainly not hearing advocating that Lincoln should lose state aid money, but I think it points out that something really does need to be done because the state aid, again, the distribution of state aid is determined mostly by property valuation in a district. So, once again, NRCSA does support the bill. We realize that it probably has to be done but we do think that soon the equalization of values also needs to be done. Are there any questions?

SENATOR BOHLKE: Thank you, Stan. Any questions from anyone on the committee? I see none. Thank you. Any others wishing to testify in support of the bill?

MARSHA BABCOCK: Senator Bohlke, Members of the Committee, I'm Marsha Babcock, Counsel for the Speaker, representing Senator Withem today. I had some difficulty deciding exactly how to present some of the concerns that Senator Withem has about this particular situation more than the legislation itself and decided to approach you as a proponent with* some reservations about some of the things that have transpired in the efforts that have been made to see this legislation go forward, as it was intended to do three years ago. I may just simply pose some questions to the committee that indicate some of the problems that Senator Withem is having in dealing with the fact that we need to come before the committee and ask for a year's extension on this legislation and also have to ask for a 500,000 dollar appropriation when, in fact, that appropriation cannot be found as a part of the Governor's budget that was proposed to this body at the beginning of this legislative session. That presents the question as to whether or not there was a sincere attempt on the part of the administration to address this particular issue with the funding that was necessary in order to accomplish the mission. The other question I guess that I would present to you is that this legislation was before you three years ago. It was before the Department of Revenue. It was before the administration in anticipation of it going into effect with March 1 of this year. We knew that collecting county data,

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in and of itself, would not give us the information that we needed in order to implement this legislation and yet, for the last three years, it has only been county data that has been, in fact, collected by the Department of Revenue, again raising the question as to whether or not the Department of Revenue was, in fact, accepting the responsibility that hopefully was brought to their attention three years ago on this legislation. Again, I would say that the Senator, of course, is most interested in making sure that this process goes forward and that it goes forward fairly and equitably and expeditiously and, unfortunately, this is before you today and ... but we would urge you to take whatever steps you feel are in the best interest of making sure that this happens in the way that will serve the students in the school districts in the best way. There any questions?

SENATOR BOHLKE: Thank you, Marsha. Are there any questions?

MARSHA BABCOCK: Thank you.

SENATOR BOHLKE: Thank you. Others wishing to testify as proponents in support of the bill? I see none. Anyone wishing to testify in opposition to the bill?

MYRON LAUTENSCHLAGER: Hi.

SENATOR BOHLKE: Hi.

MYRON LAUTENSCHLAGER: I'm Myron Lautenschlager from Doniphan in Hall County and I'm here representing myself as a taxpayer. I'm also a member of the school board in the Doniphan District, and everything's been explained very well so I don't think I have to tell you what I believe is true about the law. Our district is a small district. Our enrollment's like 380, 390 and our total budget will run a little over 2 million dollars. Two years ago, our state aid was cut by 200,000 dollars and the impact on that is pretty obvious. Our property taxes went up like 30 percent minimum. I know of one particular farmer that... that on the same operation one year he was paying 8,000 dollars toward a General Fund and the following year he paid 13,000 to the General Fund. And so, on a personal level, you can see how big of an impact that had and it has the same impact on the homeowner in Doniphan and the surrounding community, to a lesser degree, but nevertheless the percentage was a very large increase. Well, this is happening because the valuations are not the same across the state. Hall County was one of them that jumped right out and did it according

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to the book. Got it done right and we're being penalized for it. We have been ever since, you know, and we went out and pushed the bill. Said let's get this, this is going to be good, this is going to give us savings, and it did for one year, and now we're paying the price for Hall County following the law. Now last spring the State Board of Equalization refused to act on the fact that many counties have not done it, according to the book. This is supposed to be the safety net that was going to ... going to catch it at this point. Oh, that was going to stop. We were all going to be on the level playing field, and it's not going to happen. I understand that probably it's... this bill will be advanced and it will probably be put off for one more year and I'll be upset with that and everybody in the Doniphan district will be upset with that. I guess my worst fear is that I'll be here again next year and be doing the same thing. I mean, there comes a time when people have to do what's right and when we have a mandate come from the state, tell their school district, you have to do thus and so, we have to do it to the best of our ability, and maybe we don't have the very best information to go forward with this, but, you know, and so maybe they'll be some inequities if it's implemented with the information they have at this point, but I submit that it will be much better than the inequities we have right now. So I would urge you not to advance this bill and not to pass it because I think it penalizes us very severely. It's not...I

don't believe it's a... some people have tried to make this a rural/urban issue and I don't think that's true. I think all we are asking for is fairness, fairness across the state. I've got land right next to the Adams/Hall County line and it's ... I can't tell you exactly, it's probably valued at, by the county, at maybe 1,300 dollars an acre and land 60 feet across the gravel road in Adams County is valued 300 dollars less. Some of that land is in the same school district, but that farmer pays a lot less tax than I do. And so this is something that has to be done and it has to be done soon. Thank you.

SENATOR BOHLKE: Thank you for coming here today. Are there any questions from the committee? I see none. Thank you. Anyone else wishing to testify in opposition? Anyone in the neutral capacity?

M. BERRI BALKKA: Senator Boh1ke, Members of the Committee, I am Berri Balka, State Tax Commissioner, appearing here at the request of Senator Warner to answer any questions that you might have with regard to this bill.

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SENATOR BOHLKE: I may have one.

M. BERRI BALKKA: Okay.

SENATOR BOHLKE: The last testifier who said he would not want to be here again next year, do you think that that would be possible?

M. BERRI BALKKA: I would think it's entirely possible he would not have to be here next year to testify against it.

SENATOR BOHLKE: Would not have to be, or would...

M. BERRI BALKKA: Would not have to be.

SENATOR BOHLKE: Would not have to be. By delaying it a year you think that we would be able to complete and be able to have completed each school district and...

M. BERRI BALKKA: Yes, Senator. The ... what we are prepared to do at this point is to provide the information that we have to the Department of Education based upon the language that's in the statute with regard to the best information, the best practices available, and that will be done prior to March the 1st. If this committee or the Legislature, in general, wishes to have additional information, additional standards apply, that will require additional funds, additional time and resources and it would be utilized for that purpose and to develop the information that would follow in that same general idea.

SENATOR BOHLKE: So if we did ask for... if this passed and we did ask for additional standards and additional information, what I'm asking is do you think it would be possible to do that in a year's time frame?

M. BERRI BALKKA: Yes, I do, Senator.

SENATOR BOHLKE: All right. Thank you. Are there questions from the committee? Senator Wickersham.

SENATOR WICKERSHAM: Well, Mr. Balka, if we ... if we gave you 600,000 dollars, let's say, in even numbers, what do you think you would do with it as a part of the implementation of Section 79-3809?

M. BERRI BALKKA: Well, Senator, specifically, the data that we have available at this point is from ... developed from properties that have been sold. The new resources, money,

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personnel would be used to analyze properties that had not been sold and, as you well know in many of the districts as well as counties across the state, there is property and very few -sales occur in some of those districts. So it's very difficult, without giving an appraisal of those properties that are not sold, to develop individual factors for, in some cases, whole counties or, in some cases, school districts. That's what we would use, that information, the resources, the money and the personnel to do, is to focus on the unsold properties.

SENATOR WICKERSHAM: Well, if that's going to be the focus, and I know this isn't necessarily your estimate of how much that, process would cost, do you have a notion whether 630,000 or 593,000 or ... ?

M. BERRI BALKKA: Those ... those are very close to the numbers that we have worked on also, Senator.

SENATOR WICKERSHAM: Okay. Mr. Balka, when... if you furnish information on March 1, is that going to be presented by rule or regulation, or simply a letter or... ?

M. BERRI BALKKA: The statute requires us to provide the information to the Department of Education with regard to the valuations and we will do that directly to the Department of Education.

SENATOR WICKERSHAM: Okay. Without any public hearing or process.

M. BERRI BALKKA: The statute does not provide for that, Senator.

SENATOR WICKERSHAM: Okay. So, really, no one will know what you're thinking about until they see it in black and white and it's done.

M. BERRI BALKKA: What the staff is working on? That is... that is correct, and I don't know from that point what exactly will happen to the data as to what it will develop as far as the Department of Education because we're not privy to their formulas either.

SENATOR WICKERSHAM: Okay

SENATOR BOHLKE: Are there any other questions? Senator Rasmussen.

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SENATOR RASMUSSEN: Mr. Balka, you made reference to the fact that I can get this report the 1st of March using what's in the legislation, but if there are other standards that we might want you would need more time to do that. What other standards -are you suggesting need to be done, or did I misunderstand?

M. BERRI BALKKA: Well, the statute is no",-- very precise as to exactly what, if there are' specific standards, specific measurements or things that some senators or if that is the public policy of Nebraska that need to be in place in the statute, then we need to talk about those. It talks about the best assessment practices available. If there are specifics that need to be included for us to take into consideration, then those need to be spelled out specifically, is all I'm saying from that standpoint. I'm not suggesting theM. I'm just saying if there are those things then we need to talk about them in order to incorporate them into the studies.

SENATOR RASMUSSEN: Otherwise, what you're going to provide is based on county information?

M. BERRI BALKKA: For an ongoing year, if we get the additional resources and additional staffing, that would go towards development of appraisal on properties that had not been sold and trying to more closely approximate a school district by school district basis. But if we are going to rely this year on the data that we have, that is only on properties that have been sold and it may not encompass all school districts.

SENATOR RASMUSSEN: Okay. Thank you.

SENATOR BOHLKE: Senator Wickersham.

SENATOR WICKERSHAM: Well, when you say it may not encompass all school districts, are you suggesting that you might only adjust values in districts where you had data and not adjust values in any other district?

M. BERRI BALKKA: No, what I'm saying is that there would not necessarily be representative sales in all school districts and I'm almost positive that that is true.

SENATOR WICKERSHAM: So you would attempt to make some adjustment based on current information even in districts that did not have sales.

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M. BERRI BALKKA: That's correct, Senator.

SENATOR WICKERSHAM: Okay.

SENATOR BOHLKE: Any other questions? Mr. Balka, has there been an attempt prior to this to try and get a further clarification as to the wording in the bill? I mean, that seems to be a problem. The best assessment practices available seems to be not as precise as what you would like it and have you attempted, before we're down to the deadline?

M. BERRI BALKKA: I think it's not necessarily what I would like. I guess it's trying to find out what the public policy of the state is and that, I don't think if you use the language as it exists, may not be clear and is subject to, I guess, open debate as to what that might mean. So if we want to put a rest to that, that's why I'm saying, yes, it needs to be done. No, as far as I know, the department has not asked for a clarification up to this point.

SENATOR BOHLKE: Senator Janssen.

SENATOR JANSSEN: Mr. Balka, do you always use the sale of land as a means of determining that value, or are there other means that you use also? What I'm getting at is in some instances there may be 80 acres or a quarter of a section of land that is... is...that fits into someone else's property and that person will offer more for that land and is that giving a real ... a real basis of what that land is worth? You know, sometimes something is worth more to me than it would be to Senator Wickersham and I would give another 500 dollars an acre for that land, so...

M. BERRI BALKKA: Well, in screening...

SENATOR JANSSEN: ..do you take that into consideration anyway or would that be pretty hard for you to do?

M. BERRI BALKKA: Well, there are a number of factors, Senator, that go into what sales are used and whether they're arm-length transactions. I think all of those things need to be taken into consideration. In looking at the valuation process and perhaps even the equalization process, I think there was some... at least I was hearing a little bit in some of the testimony earlier, there was a need for a very precise measurement of these things. The whole process of property valuation is not an exact science. It is never going to be precise. You can get close, but

even on a given day you and I, Senator, might differ as to the value of a particular piece of property for just the reason that you spoke of. That doesn't mean it isn't worth somewhere in that range, but it's never going to be completely precise. But we will take things like that into consideration. A sale in the family or something of that nature certainly is not a good sale for taking valuation purposes.

SENATOR BOHLKE: Senator Wickersham.

SENATOR WICKERSHAM: Mr. Balka, one of the comments in support of passage of the bill and delaying this process for one year is that the numbers that you might give us this year are so flawed that they would result in a lawsuit. What ... you probably can't give us any assurances that if we give you 600,000 dollars and another year that that won't result in a lawsuit either, or do you think you can ... you can produce good enough numbers, or can we do something in statute to protect your numbers from lawsuits? How would we ever protect ourselves from lawsuits, whether this year or next year?

M. BERRI BALKKA: Well, perhaps the only way I know, Senator, is to outlaw lawsuits.

SENATOR WICKERSHAM: Okay. That might be one approach. Do you have others?

M. BERRI BALKKA: There are no assurances and you know as well as I do that it takes a certain amount of money to file a lawsuit. Unless it's a totally frivolous lawsuit in which the court might sanction those individuals involved, there's just no assurances it can ever be given.

SENATOR WICKERSHAM: But if you have, hypothetically, 11 million dollars at stake, you might be interested in a lawsuit.

M. BERRI BALKKA: Well, given the filing fee is somewhat less than 11 million dollars, that's true, Senator.

SENATOR WICKERSHAM: Yes.

SENATOR RASMUSSEN: There's the other solution.

SENATOR WICKERSHAM: Yeah. Well, and one other question that has intrigued me as I read the language and you've indicated that the language is imprecise and I absolutely

agree with you, in fact, I wonder if it's so imprecise that it can't be implemented at all, but there is one phrase that has intrigued me and that is on line 11 of page 2 of the bill. It says taxable value as required by law. I don't know if you've had discussions over in your agency trying to determine what taxable value as required by law is, but if you have can you relate to us what your conclusions are?

M. BERRI BALKKA: I do not recall any specific discussions on that point, Senator, afraid not.

SENATOR WICKERSHAM: Okay.

SENATOR BOHLKE: Are there any other questions? I see none. Thank you, Mr. Balka.

M. BERRI BALKKA: Thank you, Senators.

SENATOR BOHLKE: Anyone else wishing to testify in the neutral capacity? Seeing none, Senator Warner, would you like to close?

SENATOR WARNER: Senator Bohlke, Members of the Committee, tried to make some notes as people were speaking in order to make ... make some comment. Again, I want to repeat that it's not my intent to, and I don't think I said, that the numbers we currently have are flawed, implying that they're not done correctly. Problem we have now, as I read the statute, the comparisons of value of property and classes of property are to be done by school district by school district basis and the information we have is by county by county, based upon sales assessment ratios that have been developed initially by the county assessors in each of the respective counties and then reviewed and, in some cases, modified by the Department of Revenue when they make their analysis of equalization per the... per purposes of the State Board of Equalization which, in my opinion, has more limited responsibilities as to what they can change than would be possible to change or adjust in the distribution of state aid. And, as I've indicated, there's a number of states that do exactly what is provided for ... was provided for in 1059. I don't know, some may feel the draft is unclear. It isn't particularly to me. I do have a report, Senator Wickersham, as you will recognize, was distributed to the Revenue Committee that deals with assessment, quality of property tax assessment and some of the issues that are involved. While I will quickly agree that that valuations are something less than totally objective, they're somewhat... they obviously are subjective, but the point is,

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far as I'm concerned, we still do have, will have a number of school districts which there are no sales and, in the absence of an appraisal, you are making an assumption that the values in each school district are the same as the county as a whole. I ... it has been indicated to me more than once that you can and we'll take outstate, particularly the gentleman from Hall County that spoke, I don't know this to be true of Hall County. By the way, I was looking at their ratios, which I think was included in the handout that you had earlier, but I know that it is accurate in some counties in which they have a major first class city that the valuations may well be in those

first class cities as a relation to actual value or sales value may be lower than in the small towns. That is, the small towns tend to have a higher value in relation to their selling price and, in some cases at least, it would work to the advantage of those smaller communities if this delay was put into effect and you had actual appraisals, 'cause I would guess there would be a tendency to increase the value higher than they actually are using countywide figures for a small town where there's a first class city in the same ... same county. That may not hold true in every case, but I suspect it would at least in some. If you need further identification, I forget what the ... how it stands, but there certainly are assessment practices that's of the International Organization, whatever, of Assessors, and I forget the acronym at the moment, but there certainly are well established factors that could be referenced if that would be necessarily desirable. In any event, I would urge that the committee would advance the bill and that there's enough arguments in the distribution of state funds in the form of aid that there's little point, seems to me, in having that as arguments expanded by the fact that we have data that's less than accurate as far as what is required by the statute. That does not imply we have inaccurate information, but it's not accurate as far as what the statute requires, which is school district by school district.

SENATOR BOHLKE: Are there any final questions for Senator Warner? I see none. Thank you, Senator Warner. That closes the hearing on LB 1290 and we're ready to open the hearing on LB 1181. Senator Robak I see is here.