



LEGISLATIVE REPORT

Nebraska Chamber of Commerce & Industry

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(Eighth Week)

Legislative Session Nearly 40% Complete; New Revenue Forecast Will Impact Budget

The Nebraska Legislature has now completed 34 working days of its current 90-day session. Senators will need to select their priority bills over the next 10 working days, as the deadline for priority bill designation is March 19. Each senator may select one priority bill, while committees may select two. The speaker may choose up to 25.

From now through the remainder of the session, the budget writing process will receive more attention from the full Legislature. Nebraska's biennial (two-year) state budget is written and authorized in the Unicameral's "long sessions" conducted during odd-numbered years.

On Wednesday, the budget-writing Appropriations Committee unveiled a \$9.4 billion preliminary budget using the recommendations put forth by Governor Pete Ricketts in January. The committee's version of the budget offers roughly \$24.5 million more in spending than the governor's proposal, amounting to a 3.3% state spending increase. The governor's \$9.3 billion budget recommended holding the state's spending growth at 3.1%. Roughly two-thirds of the new budget's growth would go to funding increases for K-12 state aid and Medicaid expansion.

The budget released by the Appropriations Committee will need to be adjusted, however, following this week's revised projections that over the next few years the state will not be collecting as much revenue as predicted just last fall. The Nebraska Economic Forecasting Advisory Board on Thursday said the state will receive \$110 million less than previously anticipated between now and June 2021. In the current fiscal year, which ends on June 30, state tax collections have fallen short of projections for four straight months. Through January, the state's net receipts were running about \$80 million under the October forecast.

The revised revenue forecast likely means less money for tax relief, workforce training, economic development and other important measures. The forecasting board will meet again on April 25 to make its final projections, which will guide budget decisions on the floor of the Unicameral.

Final budget bills must be on General File no later than May 2 – the 70th day of the session – to ensure adequate time to debate the package. The Legislature must pass all appropriations bills by the 80th day of a long session.

Business Incentives Modernization Bill Will Be Heard Next Week

This coming Wednesday, March 6, the Legislature's Revenue Committee will receive testimony on **LB720**, a bill that proposes a major rewrite of Nebraska's business incentives.

The ImagiNE Nebraska Act would be the first comprehensive modernization of Nebraska's business incentives since 2005. The Nebraska Chamber supports LB720, which would keep Nebraska competitive in the battle for jobs, investment and talent.

Introduced and prioritized by Seward Senator Mark Kolterman, a member of the tax-writing Revenue Committee, LB720 would replace the Nebraska Advantage Act – set to expire at the end of next year. In general, the measure would encourage high quality investment and job creation, with more robust reporting and more overall transparency. It would also increase the value of incentives to businesses by making simplifications, including in the application process.

Under LB720, qualified wage minimums for the incentives program would be increased compared to current requirements under the Nebraska Advantage Act.

At least 23 senators are cosponsoring the ImagiNE Nebraska Act. Cosponsors include Senators Joni Albrecht, John Arch, Suzanne Geist, Steve Halloran, Ben Hansen, Mike Hilgers, Robert Hilkemann, Megan Hunt, Rick Kolowski, Andrew La Grone, Steve Lathrop, Brett Lindstrom, John Lowe, Mike McDonnell, Adam Morfeld, Patty Pansing Brooks, Dan Quick, Jim Scheer, Julie Slama, John Stinner, Matt Williams, and Anna Wishart.

Senators Advance Amended Property Tax Bill To Address School Bonding

This week, the full Legislature gave first-round approval to an amended version of **LB183**, introduced by Albion Senator Tom Briese. The bill would lower agricultural land values for the purposes of paying for school bond issues.

Ag land already receives a special assessment of 75% valuation for property taxes and bond indebtedness. As amended this week by the full Legislature under Senator Briese's **AM517**, LB183 would lower the valuation for ag land from 75% of market value to 50% of market value for the purposes of paying for voter-approved school construction or facility improvements. That is compared to 1% of market value as originally proposed by the bill.

As amended by the committee, LB183 would apply only to school bonds approved by voters after the effective date of the bill. The 50% valuation would not apply to business property owners, who currently pay 100% of valuation for both real property taxes and bonding, just as residential owners. The Nebraska Chamber, which has longstanding policy opposed to any further separate classifications of property for tax purposes, opposes LB183.

During his remarks on the floor, Senator Briese said he and Speaker Jim Scheer had reached an agreement to place a hold on LB183 – which is now on Select File or second-round debate – until the Revenue Committee has a chance to vote on a comprehensive bill to address local property taxes.

Revenue Committee Hears More Property Tax Bills, Including Tax On Hospitals

In the 2019 session of the Legislature, there have been 141 bills introduced (out of 739 total) that mention the words “property tax,” even though Nebraska’s state government does not levy or collect property taxes. This week, the Legislature’s Revenue Committee heard testimony related to several more of those bills addressing property taxes.

On Wednesday, the committee held hearings on two bills comprising Governor Pete Ricketts’ property tax plan. Ag land owners largely supported the proposals, while local government leaders voiced opposition to parts of the plan that would hinder their ability to collect tax revenue. **LR8CA**, introduced by Revenue Committee Chair Lou Ann Linehan of Elkhorn on behalf of the governor, would prevent local government property tax collections from growing by more than 3% per year, unless voters approved a larger increase in a special election. The governor told the Revenue Committee that local fiscal restraint was essential to achieve long-term tax relief, while La Vista Mayor Douglas Kindig said fast-growing cities need flexibility to raise revenue to address urgent community needs.

On Thursday, the committee heard testimony on **LB529**, a bill by North Platte Senator Mike Groene that would change provisions relating to Nebraska’s property tax exemption for hospitals, restricting a hospital’s exemption to the amount of services it provides gratuitously. Specifically, the bill would mandate that Nebraska’s non-profit hospitals – in order to continue to remain exempt – permit licensed medical practitioners in the community to use hospital facilities, regardless of whether the practitioner is employed by the hospital. The bill would be operative January 1, 2020.

Critics of LB529 note that it would mean a significant disruption in the communities that hospitals serve, and that the added costs would impact hospitals’ ability to provide certain services, which would impact access to care. Nebraska hospitals employ more than 44,000 individuals and care for 10,000-plus patients each day, according to the Nebraska Hospital Association. In its letter of opposition to LB529, the State Chamber told the Revenue Committee that Nebraska businesses consistently rank health care costs as one of their top challenges, and that the additional costs imposed by this bill would be realized by employers.

No immediate action was taken by the Revenue Committee on any bills heard this week. The committee has scheduled an evening executive session for this Monday, March 4, to begin discussion of proposed legislation to reduce or reform property taxes. Chair Linehan has set a goal of moving a property tax package to the floor of the Legislature by mid-April, according to reports.

Key Bills Passed This Week

On Friday, March 1, the Legislature gave Final Reading approval to several key measures, which now go to the governor for his signature or veto. Among these bills were the following:

- **Department of Transportation Efficiency: LB82** by Henderson Senator Curt Friesen would streamline certain Nebraska Department of Transportation processes, including the filing process for cities and counties, and allow more flexibility in road design. The Nebraska Chamber supports LB82, which passed on a 46-0 vote.

- **In-State Tuition for Veterans: LB122** by Bellevue Senator Sue Crawford would allow veterans receiving vocational rehabilitation pursuant to federal law to qualify as residents of Nebraska for the purposes of tuition and fees charged by public college or universities. The Chamber supports LB122 as another measure that could help boost the state’s workforce. LB122 was passed on a 41-0 vote.

One bill that failed to pass was **LB306**, also offered by Senator Crawford, to create a new class of beneficiaries who can utilize Nebraska’s unemployment insurance (U.I.) trust fund. Nebraska’s U.I. trust fund is solely funded by businesses – and in 2018, Nebraska employers contributed more than \$79 million in U.I. taxes or payments. By adding family caregiving as a “good cause” for quitting employment, LB306 would provide unemployment benefits to those who leave their job to care for a family member with health issues.

The State Chamber originally opposed LB306 since the bill would draw additional resources from the U.I. trust fund to subsidize individuals who voluntarily quit their job. However, the Chamber dropped its opposition after LB306 was amended to ensure that an employee makes “all reasonable efforts to preserve employment” in order to be eligible for benefits.

The final-round vote on LB306 was 20-15, five votes short of the minimum number of votes needed for passage. The bill remains on Final Reading.

State Chamber Opposes Bill Threatening Nebraska’s Auto Dealerships

On February 26, the Legislature’s Transportation and Telecommunications Committee received testimony on **LB51**, a bill by Omaha Senator Tony Vargas to change license applications and franchise restrictions under the Motor Vehicle Industry Regulation Act. Similar to legislation brought by Senator Vargas last year, the bill would allow auto manufacturers with no franchisee in Nebraska to sell their products in a manufacturer-owned store. LB51 would primarily benefit automaker Tesla Motors.

Direct manufacturer auto sales are prohibited in most states by franchise laws requiring that new cars be sold by dealers. Critics of LB51, including the Nebraska New Car and Truck Dealers Association, say the bill would undo the dealer model, thereby threatening the thousands of jobs sustained by Nebraska’s nearly 170 auto dealerships, which generate roughly 15% of the state’s total sales tax revenue. Also, opponents say the bill would negatively affect local lending, local investment, and customer service throughout Nebraska since dealers and automakers have built business models based on decades-old state law.

Ron Sedlacek, Vice President – General Counsel for the Nebraska Chamber, testified in opposition to LB51. He noted that the dealer franchise model, which was established decades ago, fosters competition in both sales and financing. He also pointed to the community support and local customer service provided by Nebraska’s new auto dealers. According to Sedlacek, Nebraska’s new auto dealers in 2017 had nearly 8,000 employees statewide. “Should Nebraska begin the erosion of this dealership model,” Sedlacek said, “it will continue.”

No immediate action was taken by the committee on LB51.

THE WEEK AHEAD: Upcoming Hearings for Key Legislation

During the week of March 4-8, hearings will be held on several noteworthy bills. Please note that the Legislature will not be in session Friday, March 8, or Monday, March 11.

The following are upcoming hearings on key bills of interest:

Monday, March 4, 2019

*Banking, Commerce and Insurance
Room 1507 - 1:30 p.m.*

LB501 – Require insurance coverage for in vitro fertilization procedures. (Chamber opposes.)

*Business and Labor
Room 1003 - 1:30 p.m.*

LB526 – Change provisions relating to compensation for temporary disability under the Nebraska Workers' Compensation Act. (Chamber opposes.)

LB448 – Change provisions relating to compensation for burial expenses under the Nebraska Workers' Compensation Act. (Chamber opposes.)

LB487 – Require the Workers' Compensation Court to adopt an evidence-based drug formulary. (Chamber supports.)

LB408 – Change provisions relating to compensation paid upon the death on an employee under the Nebraska Workers' Compensation Act. (Chamber opposes.)

Tuesday, March 5, 2019

*Transportation and Telecommunications
Warner Chamber - 1:30 p.m.*

LB611 – Require train crews of at least two individuals. (Chamber opposes.)

Wednesday, March 6, 2019

*Revenue
Room 1524 - 1:30 p.m.*

LB720 – Adopt the ImagiNE Nebraska Act and provide tax incentives. (Chamber supports.)

LB413 – Change application submission deadlines under the Nebraska Advantage Act. (Chamber opposes.)

LB417 – Change application deadlines under certain tax incentive programs. (Chamber opposes.)

Thursday, March 7, 2019

*Government, Military and Veterans Affairs
Room 1507 - 1:30 p.m.*

LB267 – Provide a duty for the county board relating to deficient bridges and authorize a tax levy. (Chamber supports.)

2019 Priority Bills As Of March 1

The following is a list of this session’s priority bills as of March 1. The deadline for committee and senator priority bill designations is March 19. Speaker Jim Scheer will announce as many as 25 speaker priority bills on March 20.

<u>Prioritizing</u>	<u>Bill</u>	<u>Description</u>
Brewer	LB155	Change eminent domain provisions that apply to privately developed renewable energy generation facilities.
Chambers	LB44	Eliminate the death penalty and change provisions relating to murder in the first degree.
Erdman	LB483	Change the valuation of agricultural land and horticultural land.
Kolterman	LB720	Adopt the Imagine Nebraska Act and provide tax incentives.
Linehan	LB670	Adopt the Opportunity Scholarships Act and provide tax credits.
McCollister	LB284	Adopt the Remote Seller and Marketplace Facilitator Act.
Wishart	LB110	Adopt the Medical Cannabis Act.