

Nebraska legislators and legislative committees have designated their priority bills for the session. Priority bills are placed ahead of non-priority bills on the legislative debate schedule and thus receiving a priority designation increases a bill's likelihood of being debated by the full Legislature. The [list of priority bills](#) can help provide insight into what measures will be on the legislative agenda for the remainder of the session. Below we discuss some of the priority bills that relate to OpenSky's work and what position we have taken on them.

Priority bills that OpenSky supports

LB 484 - Create the School Financing Review Commission. LB 484 bill would create a twenty-member commission headed by the Commissioner of Education to examine school finance in Nebraska. It would especially focus on how to address Nebraska's overreliance on property taxes to fund K-12 education. Nebraska used a similar commission in the late 1980s and its work led to our current school funding formula. The formula had initial success in addressing Nebraska's overreliance on property taxes and other issues but repeated tweaks to the formula hindered Nebraskans from experiencing more meaningful property tax relief. OpenSky supports the bill because the process has proven to be successful, because we rank 49th in the percent of K-12 education funding coming from the state and because the current formula is not working well for urban or rural schools.

LB 44 - Adopt the Remote Seller Sales Tax Collection Act. LB 44 would require online retailers who have more than \$100,000 in sales or 200 transactions in Nebraska to remit sales tax or notify their customers that the sales tax is due. OpenSky supports the bill because not taxing Internet sales gives preferential treatment to online retailers over brick and mortar stores. Furthermore, as more transactions are made online our sales tax base will continue to erode.

LB 373* - Change and eliminate revenue and taxation provisions. LB 373 undoes revenue-reducing legislation passed since 2006 that either costs more than expected when passed, or that reduces general fund revenue by more than \$5 million annually. OpenSky supports LB 373 because the tax cuts passed over the last decade now exceed more than \$755 million annually and are contributing significantly to our state's budget shortfall. LB 373 would give the Legislature an opportunity to review these expenditures and programs and their usefulness to the state in the same way the Legislature reviews other programs through the biennial budget process. (*LB 373 has been deemed a priority bill by the Legislature's Planning Committee contingent on the adoption of permanent legislative rules.)

Priority bills that OpenSky opposes

LB 337 - Change income tax rates and provide for deferrals of the rate changes. LB 337 reduces the top individual income tax rate from 6.84 percent to 5.99 percent over

an eight-year period. The tax cuts would not be triggered unless forecasted revenue growth exceeds 3.5 percent in the upcoming year. OpenSky opposes the bill because the majority of the tax cut would go to the wealthiest Nebraskans while middle- and low-income Nebraskans would see little-to-no benefit. The fiscal note estimates this cut would cost \$288 million when fully implemented. This loss of revenue would shift reliance onto property and sales taxes to pay for priorities such as K-12 education.

LB 338 - Adopt the Agricultural Valuation Fairness Act. LB 338 changes the method of assessment for agricultural and horticultural land from a market value approach to an income capacity approach. The bill would limit any annual increase in statewide aggregate valuation to 3.5 percent. OpenSky opposes the bill because it would not provide widespread reductions in property taxes and if would force local governments to raise levies or make cuts to services. Farmers and ranchers near urban areas are the only property owners who would see significant property tax cuts while farmers and ranchers in highly agricultural districts would see little relief and all other property owners would see tax increases.

LR 6 - Resolution to Congress for convention of the states to propose amendments to the U.S. Constitution. LR 6 would call for a convention of the states to propose amendments that would impose fiscal restraints on the federal government, limit the power and jurisdiction of the federal government, and limit the terms of office for its officials and for members of Congress. While we appreciate concerns about the federal debt and improper spending, balanced budget requirements, strict debt ceiling limits, and other arbitrary finance restrictions would limit America's ability to respond in times of recession or national security crises. For example, the ability of the federal government to go into debt during recessionary periods is vital for economic stability. And any sort of balanced budget amendment could compromise federal benefits like Medicare and Social Security.

OpenSky has taken a neutral position on the following priority bills

LB 144 - Change agricultural and horticultural adjusted valuations for calculating state aid to schools. LB 114 would reduce the valuation of agricultural and horticultural land in the education funding formula to 20 percent of market value. This would increase state aid for the majority of districts. Because districts can still tax on 75 percent of market value, the increased state aid would allow for significant levy reductions and property tax relief. OpenSky is neutral because, while LB 144 increases state aid for most districts and provides property tax relief as a result, the cost of such a proposal is significant. We have concerns that the increased state aid called for in LB 144 would not be funded, and therefore would simply shift current funding from some districts to others with higher agricultural land valuation.

LB 265 - Provide for a minimum amount of state aid based on the number of students in a local system. If LB 265 is fully implemented, any district that does not

receive \$5,500 per student in state aid under the TEEOSA formula would have their state aid increased up to that threshold. OpenSky supports the concept of a portion of state aid being funded on a per student basis as recognition of the constitutional obligation to provide free education. However, we testified neutral on this bill because of the significant cost that is unlikely to be funded given the current budget shortfall and because as structured in LB 265, the \$5,500 threshold, when implemented, would mean more than 90 percent of Nebraska school districts would receive the exact same amount of aid per student, regardless of the amount that can be raised locally. This would undercut the equalization principle of the TEEOSA formula.

LB 640 - Change provisions of the Property Tax Credit Act and provide school district property tax relief. LB 640 would make changes to the TEEOSA formula and use the Property Tax Credit to pay for these changes as well as a new form of state aid for districts where property taxes make up more than 60 percent of their total revenue. While we supported the targeted means by which this mechanism would direct state aid to school districts that are highly-reliant on property taxes, OpenSky testified neutral on this bill because of the provision that would require districts that receive this aid to reduce their budgets year over year unless a supermajority of their school board votes to override this provision every year.

OpenSky is monitoring but has taken no position on the following priority bills

LB 409 - Change the base limitation and local effort rate for school districts. LB 409 changes the school funding formula to reduce state aid in order to meet the 2.1 percent annual TEEOSA growth rate proposed in the biennial budget.

LB 248 - Adopt the Youth Opportunities in Learning and Occupations Act. LB 248 would create a grant program for employers and nonprofits to provide job training, soft skill development, and career counseling. The program would be slated for \$20 million in FY18, but would require a 100 percent match by the receiving entity to be spent.

LB 291 - Adopt the Special Economic Impact Zone Act. LB 291 would classify all Native American Reservations in Nebraska as development zones, where all businesses – excluding agriculture and gaming – would be immune from all corporate income taxes and sales taxes for their first \$10 million in sales.

LB 161 - Change a carryover period under the Nebraska Advantage Act. LB 161 greatly expands the carryover period for credits earned by Tier 6 firms in the Nebraska Advantage Act. As it currently stands, the carryover period for credits is one year. The original iteration of this bill called for an expansion to 20 years, though it has been amended to 16. Tier 6 businesses require the largest employer and wage thresholds for Nebraska Advantage benefits.

LB 233 - Change revenue and taxation provisions. LB 233 is a “clean-up bill” that makes a variety of adjustments to Nebraska’s tax code.

LB 496 - Define and redefine terms under the Community Development Law. LB 496 expands the eligible projects for Tax Increment Financing under the current Community Development Law to include the construction of “workforce housing” in cities of the first and second class – which are all cities in Nebraska excluding Omaha and Lincoln. “Workforce housing” is defined as single or multi-family housing.

LB 611 - Require state agencies to provide a federal funding inventory. LB 611 requires state agencies to put together a detailed inventory of the federal funds they receive and the corresponding requirements. The bill also requires the agencies to come up with contingency plans in the event of the loss of those dollars.

LB 461 - Correct references to a federal act in a revenue statute. LB 461 is a revenue committee “shell bill” and can be amended later to craft and advance legislation.

LB 518 - Adopt the Rural Workforce Housing Investment Act and transfer funds from the Affordable Housing Trust Fund. LB 518 would create a competitive grant fund to help sponsor the construction or repair of affordable housing in rural areas. The grant program would be funded with money from the Affordable Housing Trust Fund, and would require a 1-to-1 match from the nonprofit housing development organization that receives funds.

LB 512 - Change provisions related to education. LB 512 would enact several technical changes to standing education law. There are numerous updates to the language in statutes, and several minor changes to the internal governance of ESU and school boards.