



LEGISLATIVE REPORT

Nebraska Chamber of Commerce & Industry

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(Nineteenth Week)

Only Nine Working Days Remain In Legislative Session

When Nebraska lawmakers return to the State Capitol on Monday, May 18, there will be only nine working days remaining until the Unicameral's June 5 *Sine Die* adjournment. This week, senators passed the FY2015-17 budget, which is now being considered by Governor Pete Ricketts. The governor has until May 20 to sign, veto in total, or line-item veto appropriations within the budget bills.

The nine-bill budget package proposes to spend \$8.7 billion over two years, boosting the state's spending growth by a lower-than-average 3.1%. But that growth will likely be larger at the end of the session due to separate spending bills.

The budget sets aside more than \$400 million over two years for the state's property tax credit program. Created in 2007, the state credit is intended to help offset the locally levied taxes that property owners – including businesses – pay to cities, counties, school districts and natural resources districts. The package also adds millions for K-12 school aid, prisons and a 3% funding increase for the University of Nebraska, state colleges and community colleges.

Legislature Advances Bill To End Ban On DACA Driver's Licenses

On May 14, the Nebraska Legislature voted 37-8 to give first-round approval to **LB623**, a bill that would allow the issuance of temporary driver's licenses to individuals residing in the state under the federal Deferred Action for Childhood Arrivals (DACA) program. The Nebraska Chamber supports LB623 since the current situation presents an obstacle to economic growth.

The bill was introduced by Omaha Senator Jeremy Nordquist and prioritized by Omaha Senator John McCollister. Currently, Nebraska is the only state that denies driver's licenses to the children of immigrants who settled illegally in the United States, even though a federal executive order has given those children legal protection to remain in the country. LB623 contains a provision that would require those who receive driver's licenses to return them if President Obama's executive order is overturned or revoked by a future president.

To be eligible for the DACA program, an individual must be in school, have graduated from high school or obtained a GED, or have been honorably discharged from the armed forces. Participants cannot have a significant criminal record.

Supporters of the bill say Nebraska needs all of its younger residents to contribute to the state's economy since the shortage of qualified employees is hindering the economic growth of many communities. With a 2.6% jobless rate, Nebraska claims the nation's lowest unemployment rate, as there are more than 45,000 openings on the state-managed jobs listings website, alone.

The bill currently awaits action on Select File, the second of three rounds of consideration by the full Legislature.

Crowdfunding Bill Gets First-Round Approval

On May 14, senators voted 31-0 to give first-round approval to **LB226**, a bill to provide business startups more access to capital by allowing the use of "crowdfunding" – the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet through websites such as Kickstarter. Under the bill, small businesses could raise up to \$2 million each year from accredited or unaccredited investors.

Recent studies on economic competitiveness, such as CNBC's Best States for Business study, show access to venture capital and startup capital are a weakness for Nebraska's business community. The Nebraska Chamber supports LB226 as a new method to raise capital for small business expansion.

Introduced by Lincoln Senator Colby Coash and prioritized by Gretna Senator John Murante, LB226 is modeled after legislation passed in Indiana, Texas and Wisconsin. During floor consideration of the bill, Senator Coash noted that 18 states had already enacted similar legislation, with many others considering crowdfunding bills.

LB226 would enable Nebraskans with a net worth of less than \$1 million or couples making under \$300,000 a year to invest up to \$5,000 in a single business online.

Some of the specifics of the bill include:

- All projects attempting to raise money would require approval from the state Department of Banking and Finance.
- Individuals investing money under LB226 would receive a proportionate security stake in the company in exchange for their investment, without registration under state and federal securities laws.
- Investors would need to be residents of Nebraska and would be required to sign a certificate acknowledging the potential for the complete loss of investment.

LB226 awaits action on Select File, the second of three rounds of consideration by the full Legislature.

Legislature Overrides Veto Of Fuel Tax Increase

On May 14, Nebraska lawmakers voted to override Governor Ricketts' veto of a six-cent fuel tax increase as proposed by **LB610**.

With the override, the state's fuel tax will increase by six cents a gallon in phases over four years. The tax will increase by 1.5 cents on January 1, 2016, and by an additional 1.5 cents at the beginning of 2017, 2018 and 2019.

Introduced by Papillion Senator Jim Smith and prioritized by Henderson Senator Curt Friesen, the bill will raise Nebraska's total fuel tax to 31.6 cents per gallon, up from the current 26.5 cents. That compares to Iowa's current fuel tax of 32 cents a gallon, Kansas' 24 cents, Wyoming's 24 cents, Colorado's 22 cents, South Dakota's 22 cents, and Missouri's 17.3 cents. These amounts are in addition to the current federal gasoline tax of 18.4 cents and diesel tax of 24.4 cents.

Governor Ricketts issued a statement following the vote to override his veto. He said: "Our state already has the 13th highest property taxes, the 15th highest income taxes, and this tax hike makes our gas tax rate the 16th highest in the nation."

Supporters of LB610 note that since 1995, Nebraska has seen only one notable gas tax increase: a 1.2-cent boost in 2008 that was about one-tenth what was needed to keep pace with inflation over the past 20 years. Senator Smith said the gas tax remains the most effective way to pay for construction work to help improve road safety and the economy.

The tax increase under LB610 is estimated to generate an additional \$75 million a year to repair bridges and fix roads. The money will be shared equally by the state, cities and counties.

Opponents of the bill note that state revenues for the Department of Roads are at their highest level in two decades due largely to another roads funding law, LB84, enacted in 2011 to dedicate a quarter cent of the state's 5.5% sales tax to roads funding. Over the next two decades, LB84 is estimated to generate an additional \$60 million to \$70 million annually for new expressways and highway projects.

UPDATE: Status of Selected Bills of Interest

The following bills are among the 107 measures designated as priorities by senators and the Legislature's committees. A bill with priority status is generally considered ahead of other bills for debate. The State Chamber has taken a "support" or "oppose" position on these particular measures.

Measure	Issue	Summary	Status
<u>LB156</u>	Expansion of Angel Investment Credits	Introduced by Gering Senator John Stinner and prioritized by Omaha Senator Robert Hilkemann, LB156, as amended, would expand the amount of credits under Nebraska's Angel Investment Tax Credit Act from \$3 million to \$4 million annually. Enacted in 2011, the angel investment program provides a refundable income tax credit to individuals and funds that invest in Nebraska-based, high-tech startups in fields such as ag processing, renewable energy, food technology, IT, nanotechnology, telecommunications, bio-solutions, medical devices and pharmaceuticals. <u>The State Chamber supports LB156.</u>	Final Reading
<u>LB176</u>	Livestock Expansion	Introduced and prioritized by Ogallala Senator Ken Schilz, LB176 narrows a state prohibition against packers feeding livestock as it applies to hogs and pork production. Nebraska's neighboring states – specifically Iowa and South Dakota – have experienced dramatic growth in hog production over the last decade, while Nebraska hog production fell from 4 million head in 1991 to 3 million head in 2012. Currently, hogs must be imported from other states to supply processing plants in Nebraska. <u>The Nebraska Chamber supports LB176 and its goal to expand pork production in the state, while affording younger Nebraskans an opportunity to enter the industry.</u>	General File
<u>LB226</u>	Crowdfunding Authorization	Introduced by Lincoln Senator Colby Coash and prioritized by Gretna Senator John Murante, LB226 would allow crowdfunding – the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet. <u>The State Chamber supports LB226.</u>	General File
<u>LB259</u>	Personal Property Tax Relief	Introduced by Grand Island Senator Mike Gloor and prioritized by the Revenue Committee, LB259, as amended, would exempt the first \$10,000 of value for depreciable tangible personal property assessed for taxation – less than the \$25,000 originally proposed. The bill would still provide about \$20 million in personal property tax relief for businesses and ag producers. <u>The State Chamber supports LB259.</u>	Select File

<u>LB264</u>	Health Care Credentials for Military Veterans	Introduced and prioritized by Lincoln Senator Adam Morfeld, LB264 would allow the issuance of health profession credentials based on military education, training or service. The bill would ensure that the skills and experience acquired through military service are recognized for the 34 health professions overseen by the state's Uniform Credentialing Act. This would alleviate the need for HHS to make credentialing decisions on a case-by-case basis. <u>The State Chamber supports LB264 as another way to help attract more military veterans and their families to Nebraska.</u>	Signed by the Governor
<u>LB329</u>	Agri-Tourism Promotion Act	Introduced by Ogallala Senator Ken Schilz and prioritized by Scribner Senator David Schnoor, LB329 aims to promote tourism and rural economic development by limiting a landowner's civil liability to encourage them to allow public access to their property for agricultural, historical, cultural, and other agri-tourism activities for a fee. Liability would be limited only for injuries occurring as a result of conditions or hazards that are an integral part of the land or waters used for agri-tourism activities on the landowner's property. The bill states that visitors must be warned of potential dangers by a posted sign or in a contract. <u>The State Chamber supports LB329.</u>	Select File
<u>LB357</u>	Comprehensive Tax Relief	Introduced and prioritized by Papillion Senator Jim Smith, LB357 would gradually reduce the state's personal and corporate income tax rates over the next eight years, providing tax relief to families and businesses. In addition, LB357 would generously boost the state's property tax credit program. <u>The Nebraska Chamber supports LB357 to make Nebraska's tax climate more competitive and to reduce the tax burden on the business community.</u>	In Committee
<u>LB414</u>	Fraternal Benefit Organizations	Introduced and prioritized by Omaha Senator Burke Harr, LB414 would provide property tax relief to fraternal benefit societies. There is currently no consistency in the methods used by counties to tax fraternal benefit organizations, defined as any incorporated, not-for-profit society, order or supreme lodge without capital stock that is conducted solely for the benefit of its members and their beneficiaries. It is estimated that about 31 fraternal benefit societies in Nebraska would qualify for the exemption. LB414 would help keep a major Omaha employer, Woodmen of the World, from being forced to explore a move to another state. <u>The State Chamber supports LB414.</u>	Signed by the Governor
<u>LB419</u>	Sales Tax Exemption for Zoos	Under LB419, introduced and prioritized by Omaha Senator Heath Mello, Nebraska's nationally accredited zoos and aquariums would not need to charge sales taxes on memberships and admissions. Zoos are a major driver of tourism – Nebraska's third largest industry. A recent report shows that U.S. and international travelers to Nebraska spent \$4.5 billion in 2013 – and those visits generated \$627 million in federal, state and local taxes, and helped support 44,965 jobs. <u>The State Chamber supports LB419.</u>	Final Reading

<u>LB494</u>	Minimum Wage for Tipped Employees	LB494, introduced by Omaha Senator Jeremy Nordquist and prioritized by Lincoln Senator Matt Hansen, would have raised Nebraska's minimum wage for workers who are tipped. Federal law already requires businesses to make up any difference between tipped wages and the minimum wage. <u>The State Chamber opposes LB494.</u>	Failed to advance from General File
<u>LB538</u>	Evaluation of Business Incentive Programs	Introduced and prioritized by the Legislative Performance Audit Committee, LB538 would require additional evaluation of Nebraska's eight primary job-creation and business investment tax incentive programs. The bill was introduced on the heels of last year's interim study and summer hearings on Nebraska's business incentives and how to best measure their effectiveness. The bill would extend program sunset date, and impose a period in which no new applications would be accepted to allow for completion of an audit. <u>The Nebraska Chamber supports the concept of LB538 after the Chamber's concerns regarding some of the qualitative metrics were addressed in the amended version of the bill.</u>	Signed by the Governor
<u>LB519</u>	Education Funding for Workforce Development	Offered by Cedar Rapids Senator Kate Sullivan and prioritized by the Education Committee, LB519 would determine how to split millions of dollars in Nebraska Lottery funds for education grants and programs. As amended, LB519 incorporates a key provision mirroring <u>LB36</u> to address Nebraska's skilled workforce shortage. LB519 would dedicate 9% of the available lottery dollars to a new Community College Gap Assistance program to provide financial aid to eligible students pursuing certification programs or licensure in Nebraska's high-demand career fields. <u>The State Chamber supports the concept of LB36 and related provisions contained in LB519 to help address Nebraska's skilled workforce shortage.</u>	Signed by the Governor
<u>LB559</u>	Enhancement of New Markets Credits	Introduced by Columbus Senator Paul Schumacher and prioritized by Gothenburg Senator Matt Williams, LB559 would make technical changes to the New Markets Job Growth Investment Act to encourage more private investment in businesses and real estate projects located in low-income rural and urban areas. Due to an interpretation by the Department of Revenue, the program is currently more restrictive than intended and the law's implementation is inconsistent with the treatment of new market tax credits in other states. <u>The State Chamber supports LB559 to encourage more investment in Nebraska.</u>	Final Reading
<u>LB599</u>	Minimum Wage for High School Workers	Introduced by Crete Senator Laura Ebke and prioritized by Heartwell Senator John Kuehn, LB599, as amended, would establish an \$8-an-hour minimum wage for high school students younger than 19. Under the bill, the employer would be able to give the employee a raise at any time. Nebraska's minimum wage is currently higher than that of any of its neighboring states. It increased from \$7.25 to \$8 an hour on January 1, 2015, and is scheduled to rise again to \$9 in 2016. <u>The State Chamber supports LB599 to ensure that small businesses can afford to retain jobs for young Nebraskans.</u>	Final Reading

<u>LR7CA</u>	Term Limits Extension for Senators	A constitutional amendment to extend Nebraska’s term limits for state lawmakers. Introduced by Columbus Senator Paul Schumacher and prioritized by the Legislature’s Executive Board, LR7CA would have allowed members of the Legislature to serve two consecutive six-year terms for senators elected in November 2024 and thereafter – instead of two consecutive four-year terms under current law. <u>The State Chamber supported LR7CA.</u>	Failed to advance from Select File
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