

January 14, 2022

NEW BILL INTRODUCTIONS – HEARINGS TO COMMENCE

As of Thursday, Jan. 13, the seventh day of the 2022 Legislative Session, a total of 357 bills and 5 proposed constitutional amendments have been introduced. Committee hearings will begin on Tuesday, Jan. 18, and continue through the early part of March. Floor debate on bills “carried over” from last session began on Jan. 10 and will continue during morning sessions of floor debate by the Legislature once Committee hearings commence.

The initial floor debate has featured a series of contentious issues carried over from the 2021 Legislative Session. During the past week, lawmakers: advanced a Legislative Resolution (LR 14) authorizing Nebraska to participate in a convention of the states authorized under the U.S. Constitution; advanced a measure (LB 310) to reduce the burden of inheritance taxes on beneficiaries; and failed to overcome a filibuster on a bill (LB 364) that would create a tax credit scholarship for Nebraska private school students.

Key dates in the 2022 Legislative Session include:

- Jan. 20 – Last day to introduce bills
- Feb. 17 – Deadline for requests on Speaker priorities
- Feb. 22 – Deadline for designation of Committee and Senator priorities
- Feb. 23 – Speaker announces his priority bills
- March 8 – Full-day floor debate begins
- April 20 – Sine die adjournment (tentative)

GOVERNOR’S “STATE OF THE STATE” ADDRESS Spending Restraint and Tax Relief

Governor Pete Ricketts presented the annual “State of the State” address on Thursday, Jan. 13, outlining his priorities for the session as tax relief, limited growth in state spending, public safety, securing our water resources and prioritizing the expenditure of American Rescue Plan Act (ARPA) funds.

Tax Relief and Limited Growth in State Spending

The Governor has proposed to accelerate the full exemption of social security benefits over a five-year, rather than a 10-year, period and to reduce the maximum individual income tax rate from 6.84% to 5.84%. He pledged to maintain the \$548 million in annual property tax relief at least at its current level. The Governor's proposed budget would restrict growth in state spending to no more than 3%.

Public Safety

The Governor stressed the need to fully fund the replacement of the Nebraska State Penitentiary, requesting \$16.9 million to enhance our State Crime Lab and \$47.7 million for expansion of the Law Enforcement Training Center in Grand Island.

Securing Water Resources

The Governor is recommending \$500 million in expenditures to construct a canal and reservoir system from the South Platte River; \$200 million to be allocated to water projects presented by the STAR WARS Special Committee; \$5 million to support repairs on the Peru Levee; \$60 million to restore and protect drinking water systems in rural areas; and \$23 million in repairs to the Fort Laramie Gering canal tunnel.

ARPA Funding

The Governor also unveiled his priorities for expenditure of ARPA funds for 29 qualifying initiatives, including nearly \$200 million for public health emergency response and over \$500 million for areas which experienced negative economic impacts from COVID-19, including development projects in North Omaha and funding for beef processing supply chain issues in North Platte.

NBA AFFIRMATIVE LEGISLATION

LB 738 - LIBOR TRANSITION: Introduced by Senator Eliot Bostar (Lincoln), LB 738 addresses the legal effects of the discontinuance of LIBOR on contracts, securities, or instruments and provides for the replacement, by operation of law, of the United States Dollar Libor as the benchmark index for any contract, security, or instrument, with a recommended benchmark replacement that is based off a Secured Overnight Financing Rate (SOFR).

The bill specifies that the benchmark replacement applies with respect to a contract, security, or instrument that either: 1) contains no fallback provisions setting forth a methodology or procedure for determining a benchmark replacement; or 2) contains fallback provisions that result in a benchmark replacement that: a) is not a recommended benchmark replacement; and b) is based in any way on any LIBOR value.

The measure provides that the selection or use of a recommended benchmark replacement as a benchmark replacement for a contract, security, or instrument: 1) constitutes a reasonable replacement for and a commercially substantial equivalent LIBOR and 2) does not: a) impair or affect certain rights and performance obligations under; b) constitute a breach of; or c) void or nullify; the contract, security or instrument. The bill further provides that a person is not liable for damages and is not subject to any claim for equitable relief, in connection with: 1) the selection or use of a recommended benchmark replacement; or 2) the determination, implementation, or performance of benchmark replacement performing changes; with respect to any contract, security, or instrument.

LB 826 - PUBLIC FUNDS DEPOSIT SECURITY ACT: Introduced by Senator Brett Lindstrom (Omaha), LB 826 would authorize the use of funds or obligations of another state, or a political subdivision of another state, which are rated within the two highest classifications by at least one of the standard credit rating services to be used as collateral for public funds, with such classifications to include the underlying credit rating or enhanced credit rating, whichever is higher, with respect to bonds or obligations of a political subdivision of another state.

LB 846 - BANK DIRECTORS ANNUAL AUDIT: Introduced by Senator Julie Slama (Auburn), LB 846 would allow a bank's board of directors to submit its annual audit to the Department of Banking within 120 days (is 90 days) after the end of the calendar year.

UPCOMING HEARINGS

The following bill, which is supported by the NBA, will be heard before the Banking, Commerce and Insurance Committee on Tuesday, Jan. 18:

LB 707 - OMNIBUS DEPARTMENT OF BANKING ACT: Introduced by Senator Matt Williams (Gothenburg), LB 707 would authorize the Department of Banking to examine bank subsidiaries and recognize that bank subsidiaries may be formed as a limited liability company. The bill would adopt the annual state-chartered bank and savings and loan “wildcard.”

BILLS OF INTEREST

The following bills of interest to the NBA have been introduced during the first two weeks of the legislative session:

LB 706 - REAL PROPERTY APPRAISER ACT: Introduced by Senator Williams, LB 706 would make “technical corrections” to the existing Real Property Appraiser Act to remain in compliance with the Appraiser Qualification Board’s Real Property Appraiser Qualification Criteria and to maintain compliance with Title XI of the federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

LB 825 - SOCIAL SECURITY BENEFITS: Introduced by Senator Lindstrom, LB 825 will provide for a full exemption from taxation for social security income phased-in over a four-year period beginning with tax years beginning on Jan. 1, 2022, which such income to be deducted from adjusted gross income as follows: tax year 2022 (40%); tax year 2023 (60%); tax year 2024 (80%); and tax year 2025 (100%).

LB 832 - INDIVIDUAL INCOME TAXES: Introduced by Senator Machaela Cavanaugh (Omaha), LB 832 would reduce the individual income tax rates for incomes at or below \$6,659 from 2.46% to 0%. The measure would increase the income bracket for income subject to taxation at a rate of 3.51% from \$35,999-\$64,429 and would assess an individual income tax rate of 6.84% for income up to \$199,999; an individual income tax rate of 7.75% for income up to \$1,999,999 and the top individual income tax rate of 8.25% on income of \$2 million or more.

LB 835 - NEBRASKA EDUCATIONAL SAVINGS PLAN TRUST: Introduced by Senator Megan Hunt (Omaha), LB 835 would include qualified education loan payments as qualified higher education expenses for purposes of the Nebraska Educational Savings Plan Trust Program. The bill would limit the aggregate total of qualified education loan payments for the qualified education loans of a single beneficiary or sibling to \$10,000 for all taxable years combined with separate limitations on the beneficiary and sibling of a beneficiary.

LB 902 - NEBRASKA CAREER SCHOLARSHIP ACT: Introduced by Senator Ray Aguilar (Grand Island), LB 902 would authorize the board of trustees of the Nebraska State Colleges to award a Nebraska Career Scholarship not exceeding a maximum of \$15,000 per year to any eligible state college student who achieved a composite score on a standard college admission test equivalent to a score of at least 18 out of a maximum score of 36 and who is enrolled in an eligible program of study (rangeland management, industrial technology, criminal justice, business administration, education, communication, or computer information systems). Under the measure each scholarship recipient would be required to register to obtain a Nebraska-based internship, apprenticeship, clinical position, or employment in a major-related field prior to completion of the student’s eligible program of study. The bill also provides similar scholarship and internship opportunities for University of Nebraska eligible students.

LB 906 - VACCINE EXEMPTIONS: Introduced by Senator Ben Hansen (Blair), LB 906 would require any employer with 20 or more employees or whose business is financed in whole or in part under the Nebraska Investment Finance Authority Act, regardless of the number of employees (including the state of Nebraska,

governmental agencies, and political subdivisions), that requires applicants or employees to be vaccinated to allow for an exemption to such requirement based on an applicant's or employee's strong moral, ethical, or philosophical belief or conviction. Employers could require employees granted an exemption to: a) be periodically tested, at the employer's expense, for infection or illness; and b) wear or use personal protective equipment provided by the employer.

LB 938 - CORPORATE INCOME TAX RATES: Introduced by Senator Lou Ann Linehan (Omaha), LB 938 would, for taxable years beginning on or after Jan. 1, 2023, and before Jan. 1, 2024, reduce the maximum corporate income tax rate from 7.5% to 7%; for taxable years beginning on or after Jan. 1, 2024, and before Jan. 1, 2025 reduce the maximum corporate income tax rate to 6.5%; for taxable years beginning on or after Jan. 1, 2025 and before Jan. 1, 2026 reduce the maximum corporate income tax rate from 6.5% to 6.14% and; and for taxable years beginning on or after Jan. 1, 2026 reduce the maximum corporate income tax rate from 6.14% to 5.84%.

LB 939 – INDIVIDUAL INCOME TAX RATES: Also introduced by Senator Linehan, LB 939 would reduce the maximum individual income tax rate on incomes over \$58,000 for joint returns from 6.84% to 6.34% for taxable years beginning on or after Jan. 1, 2023, and before Jan. 1, 2024; to 6.14% for taxable years beginning on or after Jan. 1, 2024, and before Jan. 1, 2025; and to 5.84% for taxable years beginning on or after Jan. 1, 2025.

LB 940 – ARPA FUNDING FOR WORKFORCE HOUSING: Introduced by Senator Matt Hansen (Lincoln), LB 940 would appropriate: \$50,000 in ARPA funds to the Rural Workforce Housing Investment Fund; \$50 million in ARPA funds for the Middle-Income Workforce Housing Investment Fund; \$50 million for the Nebraska Investment Finance Authority for housing projects and \$50 million for the Affordable Housing Trust Fund.

LB 986 - SCHOOL DISTRICT PROPERTY TAX LIMITATION ACT: Introduced by Senator Tom Briese (Albion), would limit a school district's property tax request (total amount of property taxes requested to be raised for school district through imposition of its levy) for any year to an amount not exceeding the school district's property tax request authority (amount that may be included in a property tax request as determined pursuant to the School District Property Tax Limitation Act). Amounts needed to pay the principal and interest on approved bonds are excluded from the school district property tax request, and a procedure is established for the school district property tax request to exceed its property tax request authority upon approval of the voters.

LB 987 - SCHOOL DISTRICT PROPERTY TAX LIMITATION ACT: Senator Briese is also the sponsor of a measure (LB 987) which would prohibit a school district from making a property tax request for any year in excess of the greater of 3% more than its property tax request in the prior year, or the percentage increase in the Consumer Price Index except with approval of the majority of its school board or by a 60% majority of the registered voters in a Primary, General or Special Election. The measure would exclude that portion of a political subdivision's property tax request that is needed to pay the principal and interest on approved bonds or which is derived from the real growth value for the political subdivision.

2022 STATE GOVERNMENT RELATIONS FORUM

You are encouraged to sign up for the annual NBA State Government Relations Forum which will be held on Jan. 27 at the Cornhusker Marriott Hotel in Lincoln. Headlining the program will be presentations from a panel of state senators and NBA General Counsel Bob Hallstrom. Nebraska Department of Banking Director Kelly Lammers will discuss Department initiatives.

The State Government Relations Forum presents an opportunity to meet personally with your state senator during lunch to discuss issues of importance to the banking industry and to your institution and community. We look forward to seeing you on Jan. 27.