

# LEGISLATIVE UPDATE

108<sup>th</sup> Legislature



February 24, 2023

The Legislature continued to “slow walk” the process, as only 10 bills were advanced from General File to Select File during the past week. With the deadline for designating priority bills rapidly approaching, opportunities for bills without priority designation to be adopted is diminishing. It is anticipated that Committees will, more than usual, be combining multiple bills into Committee priority bills to maximize their ability to push measures across the finish line.

## **ACTION NEEDED – OPPOSE LB 483!**

LB 483 will be heard by the Banking, Commerce and Insurance Committee on Tuesday, March 7. The bill, introduced by Senator Jane Raybould (Lincoln), would authorize a state or federal credit union to hold public deposits of the state or any political subdivision of the state.

A “Background Paper” setting forth additional information and talking points accompanies this *NBA Legislative Update* for your assistance in contacting members of the Banking, Commerce and Insurance Committee to encourage opposition to the measure.

## **PUBLIC ENTITY INVESTMENT BILLS WITHDRAWN**

The Legislature has withdrawn the following bills, opposed by the NBA, from further consideration this session:

**LB 476 - PUBLIC ENTITIES INVESTMENT TRUST ACT:** Introduced by Senator Justin Wayne (Omaha), LB 476 would have authorized the creation of trusts to provide an investment pool into which all public entities (excluding the state of Nebraska and any agency thereof) may deposit funds.

**LB 594 - LOCAL GOVERNMENT INVESTMENT POOLS:** Senator Brian Hardin (Gering) is the sponsor of LB 594, a bill that would have authorized a local government investment pool created under the laws of the state, including the Interlocal Cooperation Act, to allow for the purpose of investing the funds of two or more political subdivisions in commercial paper if the commercial paper a) has a stated maturity of 390 days or fewer from its date of issuance; and b) receives an investment quality rating of not less than A-1 or P-1, or an equivalent rating, by a nationally recognized investment rating firm.

## **BALANCING THE BUDGET**

The Appropriations Committee continues to conduct hearings on State Agency budget requests and must also process 73 other pending bills which have been referred to the Committee. The Committee released its preliminary budget late last week, which contains the following highlights:

1. Adoption of most of Governor Pillen’s mainline bills’ proposed budget items
  2. \$1 billion in initial funds and \$250 million in funds per year thereafter for the Governor’s Education Future Fund to provide foundation aid and additional special education funding for schools
  3. Delayed any recommendation on the Governor’s proposed 2% funding increase for the University of Nebraska
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4. Proposed spending of \$246.5 million more than the Governor’s proposed budget, leaving approximately \$465 million above the minimum reserve requirement compared to the \$218 million that the Governor has left for additional spending or tax cuts.

## UPCOMING HEARINGS

The following bills, **opposed by the NBA**, will be heard before the Revenue Committee:

### *Revenue Committee – March 3*

**LR 6CA – PROPOSED CONSTITUTIONAL AMENDMENT/CONSUMPTION TAX:** Introduced by Senator Steve Erdman (Bayard), LR 6CA would prohibit governmental entities from imposing any taxes other than retail consumption taxes and excise taxes.

**LR 7CA – PROPOSED CONSTITUTIONAL AMENDMENT/CONSUMPTION TAX:** Also introduced by Senator Erdman, LR 7CA would require the state to impose a consumption tax or an excise tax on all new goods and services and to provide a tax exemption for grocery items.

**LB 79 - TAXATION CONSUMPTION TAX ACT:** Senator Erdman also introduced LB 79, which would eliminate all property, income and corporate taxes and replace it with a tax on the use or consumption in the state of Nebraska of taxable property or services (excludes intangible property and services) at a rate of 7.5%. The legislation would impose the consumption tax on financial intermediation services, including explicitly and implicitly charged fees for financial intermediation services to be collected with the same frequency that statements are rendered by the financial institution, but not less frequently than quarterly.

## BACKGROUND PAPER CREDIT UNION ACCESS TO PUBLIC FUNDS

**ISSUE:** LB 483 - CREDIT UNION ACCESS TO PUBLIC FUNDS

**INTRODUCER:** SENATOR JANE RAYBOULD (LINCOLN)

**NBA POSITION** OPPOSED

### **BACKGROUND:**

The following bill that would expand the powers of credit unions in Nebraska has been introduced, which is opposed by the NBA.

LB 483 would authorize a state or federal credit union to hold public deposits of the state or any political subdivision of the state.

### **ARGUMENTS IN OPPOSITION TO LB 483:**

1. Historically, credit unions were created as non-profit corporations to allow low-income individuals an opportunity to pool resources to access capital. The State of Nebraska and political subdivisions are not entitled to be members of credit unions pursuant to the Nebraska Constitution. Allowing credit unions to receive deposits from non-members moves credit unions an additional step away from their roots.
2. Credit unions do not contribute to the public coffers by paying their “full and fair” share of taxes, and therefore should not be allowed to feed from the public trough by being able to hold public deposits.

3. It is widely recognized that banks serve their entire community and are subject to extensive Community Reinvestment Act (CRA) laws and regulations under federal law. By contrast, credit unions are generally viewed as serving a defined membership and are not subject to CRA regulation. Every dollar of public funds deposited in a bank creates approximately \$10 in new loans to families and businesses in these very communities.
4. Deposits represent part of the raw materials that fuel the banking industry in Nebraska. If public deposits are siphoned off to financial providers who pay no federal or state income taxes, or a reduced share of these taxes, tax-paying banks and savings and loans will be left with a smaller base from which to generate income and pay taxes.

Please contact the members of the Banking, Commerce and Insurance Committee set forth below to encourage them to **OPPOSE LB 483**.

Julie Slama (District 1), chairperson <a href="mailto:jslama@leg.ne.gov">jslama@leg.ne.gov</a>	(402) 471-2733
Ray Aguilar (District 35) <a href="mailto:raguilar@leg.ne.gov">raguilar@leg.ne.gov</a>	(402) 471-2617
Beau Ballard (District 21) <a href="mailto:bballard@leg.ne.gov">bballard@leg.ne.gov</a>	(402) 471-2673
Eliot Bostar (District 29) <a href="mailto:ebostar@leg.ne.gov">ebostar@leg.ne.gov</a>	(402) 471-2734
George Dungan (District 26) <a href="mailto:gdungan@leg.ne.gov">gdungan@leg.ne.gov</a>	(402) 471-2610
Mike Jacobson (District 42) <a href="mailto:mjacobson@leg.ne.gov">mjacobson@leg.ne.gov</a>	(402) 471-2729
Kathleen Kauth (District 31) <a href="mailto:kkauth@leg.ne.gov">kkauth@leg.ne.gov</a>	(402) 471-2327
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