

January 27, 2023

The Legislature commenced Committee hearings on Monday, January 23 and bills have begun to advance from Committee to the floor of the Legislature for debate. When lawmakers convene next week, they will begin two weeks of all-day hearings, with bills scheduled for hearing both in the mornings and afternoons. Initial floor debate on bills advancing from Committee is expected to occur on Monday, February 13.

GOVERNOR’S “STATE OF THE STATE” ADDRESS

Governor Jim Pillen outlined his priorities for the 2023 Legislative Session in his State of the State Address presented on Wednesday, January 25. The Governor has proposed an austere budget providing for a 1.3% annual average increase in state General Fund spending during the two-year period ending June 30, 2025.

Citing the unprecedented \$2.5 billion cash reserve expected to exist by fiscal year 2025 based on the latest revenue projections, the Governor has proposed significant tax cuts and additional state funding for K–12 education. In addition, he has proposed setting aside funds for a new state prison, to build the Perkins County canal and increase funding for building state roads.

With regard to state funding for education, the Governor has proposed to create a new Education Future Fund which will require an initial investment of \$1 billion and \$250 million in additional funding each year thereafter. The increased state aid to schools would be coupled with a 3% cap on school district property tax revenue growth. The Education Future Fund would also be used, to provide \$1,500 per student for all schools in the state and to increase special education funding in the future. On the tax relief side, Governor Pillen is asking for maximum individual and corporate income tax rates to be reduced to 3.99% by 2027 and to accelerate the elimination of income taxes on Social Security.

COMMITTEE HEARING ACTIVITY

The following bills on the NBA Affirmative Legislative agenda were heard by the Banking, Commerce and Insurance Committee during the past week:

LB 94 – UCC ARTICLE 12: Would adopt Uniform Commercial Code, Article 12 relating to controllable electronic records.

LB 207 – TRUST DEEDS-LOCATION OF TRUSTEE'S SALE: Would clarify that the sale of property pursuant to a power of sale under a trust deed may be conducted on the premises, at the county courthouse, or in any public building in which county offices are located within the county in which the property to be sold is situated.

LB 279 – EXECUTIVE OFFICER REPORTING REQUIREMENTS: Would eliminate the requirement for executive officers to make annual reports regarding the amount of loans or indebtedness on which he or she is a borrower, cosigner, or guarantor, the security therefor, and the purpose for which the proceeds have been or are to be used.

In response to concerns expressed by the Nebraska Department of Banking and Finance, an amendment was agreed to by the NBA and adopted by the Committee to allow the Board of Directors to retain the flexibility to obtain a credit report for its executive officers on an annual basis.

Each of the bills listed above were advanced from Committee by unanimous vote and will be ready to be acted upon when the Legislature commences floor debate on February 13.

UPCOMING HEARINGS

A number of bills affecting the banking industry will be heard before various Committees in the upcoming week, including the following:

Business and Labor Committee – January 30

LB 57 – PAID FAMILY AND MEDICAL LEAVE INSURANCE ACT: Introduced by Senator Machaela Cavanaugh (Omaha), LB 57 would establish, as of January 1, 2025, a statewide paid family medical leave insurance program, managed by the state Department of Labor. The bill would apply to all employers subject to the Employment Security Act (one or more employees), with self-employed individuals eligible to participate. Employees would be eligible for 12 weeks or 60 workdays of paid leave if taken intermittently. Benefits would be based upon 90 percent of an individual's average weekly wage that is at or below 50 percent of the state average weekly wage and 50 percent of the individual's average weekly wage that is above 50 percent of the state average weekly wage. Benefits would be financed through employer contributions. **(NBA Position: Oppose)**

LB 249 – RURAL WORKFORCE HOUSING INVESTMENT ACT: Introduced by Senator Tom Briese (Albion), LB 249 would expand the definition of workforce housing to include housing that does not receive federal or state low income housing tax credits, community development block grants, home funds, funds from the National Housing Trust Fund, or funds from the Affordable Housing Trust Fund, thereby allowing for the use of such funds, together with Rural Workforce Housing Investment Funds. The bill would also allow a nonprofit development organization to apply for more than one grant subject to a limitation on the maximum amount of grant funds awarded to such nonprofit development organization over a two-year period to no more than \$5 million. **(NBA Position: Oppose)**

Agriculture Committee – January 30

LB 264 – GRAIN DEALER ACT/GRAIN WAREHOUSE ACT: The Agriculture Committee introduced a measure (LB 264) which would require bonds held by grain dealers to be a minimum amount of \$35,000 and not more than \$1 million (the maximum was previously \$300,000) and bonds held by grain warehouses to be in a minimum amount of \$25,000 and not more than \$1 million (the maximum was previously \$500,000). **(NBA Position: Support)**

Banking, Commerce and Insurance Committee – January 30

LB 67 – PUBLIC FUNDS: Introduced by Senator Julie Slama (Lincoln), LB 67 would require the state treasurer to ensure that money deposited by the state treasurer's office is not used by financial institutions for social or political causes or objectives. **(NBA Position: Watch and Seek Amendments)**

LB 589 – SCHOOL DISTRICT PROPERTY TAX LIMITATION ACT: Senator Briese has also introduced LB 589 which would prohibit a school district from making a property tax request for any year in excess 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. **(NBA Position: Support)**

LB 669 – DEPARTMENT OF BANKING CONDITIONAL ORDERS: Introduced by Senator Beau Ballard (Lincoln) LB 669 would authorize the director of the Department of Banking to prescribe conditions for banks, trust companies, credit unions, building and loan associations, savings and loan associations, digital asset depositories, and their holding companies, if any, as part of any written order, decision, or determination required to be made pursuant to the Nebraska Banking Act, Chapter 8, Article 3, the Credit Union Act, and the Nebraska Financial Innovation Act. **(NBA Position: Support)**

LB 674 – NEBRASKA FINANCIAL INNOVATION ACT: Introduced by Senator Mike Jacobson (North Platte), LB 674 would make technical corrections to the Nebraska Financial Innovation Act regarding digital asset depositories. **(NBA Position: Support)**

Revenue Committee – February 2

LB 754 - TAXATION - INDIVIDUAL AND CORPORATE INCOME TAX REDUCTIONS: Senator Linehan has introduced legislation that would reduce the maximum individual income tax rate from 6.84% to 3.99% and also reduce the maximum corporate income tax rate from 7.25% to 3.99% over the next five years. **(NBA Position: Support)**

LB 804 – TAXATION - INDIVIDUAL AND CORPORATE INCOME TAX REDUCTIONS: Senator Brad von Gillern (Omaha) is the sponsor of LB 804 which would reduce the maximum corporate income tax rate from 7.25% to 5.84% and would decrease the maximum individual income tax rate from 6.84% to 5.84% on January 1, 2023. **(NBA Position: Support)**

LB 806 - TAXATION – INDIVIDUAL INCOME TAX REDUCTION: Senator von Gillern (Omaha) has also introduced LB 806 which would reduce the maximum individual income tax rate from 6.84% to 5.84% on January 1, 2023. **(NBA Position: Support)**

Revenue Committee – February 3

LB 641 – TAXATION - SOCIAL SECURITY BENEFITS: Introduced by Senator Kathleen Kauth (Omaha) LB 641 would exclude 70% of Social Security benefits included in federal adjusted gross income from state taxation beginning January 1, 2023, and 100% of such benefits beginning January 1, 2024. **(NBA Position: Support)**