ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009
COMMITTEE STATEMENT
LB525

Hearing Date:	Tuesday February 24, 2009
Committee On:	Urban Affairs
Introducer:	Friend
One Liner:	Change tax levy and economic development programs of cities and villages

Roll Call Vote - Final Committee Action:

Advanced to General File

Vote Results:

Aye:	6	Senators Coash, Cook, Friend, Lathrop, McGill, Rogert
Nay:		
Absent:	1	Senator White
Present Not Voting:		

Proponents:	**Representing:**
Senator Friend	Introducer
Lance Hedquist	NEDA
Caleb Pollard	Valley County Economic Development
Lynn Rex	League of NE Municipalities

Opponents:	**Representing:**

Neutral:	**Representing:**

Summary of purpose and/or changes:

This legislation relates to economic development pursuant to the Local Option Municipal Economic Development Act, proposing to change provisions relating to tax levies and limitations on economic development programs under the Act.

It would be applicable to cities and villages conducting economic development programs pursuant to the Local Option Municipal Economic Development Act (LB 840).

LB 525 substantially parallels the provisions of LB 997 introduced in 2008 by Senator Vickie McDonald. LB 997 was heard by the Urban Affairs Committee.

The Urban Affairs deferred action on LB 997 in favor of permitting the voters of the state to amend the constitution as proposed in LR 229CA (also a proposal by Sen. McDonald). LB 997 died in committee at the end of the session. LR 229CA became a speakers priority bill and was adopted by the legislature and placed on the November general election ballot as Amendment 1 (which was defeated by the voters).

In consequence of the failure of LR 229CA/Amendment 1, LB 525 brings back the prior unresolved issues raised by LB 997 for further consideration.

LB 525 contains all of the provisions of LB 997 except for the provisions of section 5 of that bill, which proposed to remove the requirement that there must be a separate account in a financial institution for each loan made from a loan fund in any municipal program. That provision was amended into LB 895 and was ultimately adopted by the Legislature in 2008.

Section 1 proposes to amend section 13-315 to increase the cap on county, city, and village expenditures for "publicity programs" (as denominated by the state Supreme Court in Chase v. County of Douglas, 195 Neb. 838, 1976). Currently, these bodies cannot expend more than four-tenths (40 percent) of one percent of the taxable valuation of the city, village, or county making the appropriation for the stated function. This section proposes to increase that cap to five-tenths (50 percent) of one percent of the taxable valuation of the subdivision.

The expenditures authorized by this section are not within the purview of the constitutional provision authorizing LB 840 projects: these expenditures do not require voter approval. These expenditures were found to be constitutional by the court in Chase before the enactment of Amendment 3 and LB 840 and are not governed by those provisions.

It should also be noted that these expenditures would fall within existing budget/levy limits, limits which were not present when the existing limit in section 13-315 was enacted.

Section 2 proposes to amend section 18-2705 (part of LB 840/LOMEDA) to add to the definition of "economic development program" the additional activities of community marketing, private tourism development, and workforce retention and attraction.

Additional amendments are proposed which limit the amount of revenue which may be expended for housing projects (in first and second class cities and villages) to not more than thirty percent of the total amount collected for economic development programs in any twelve month period, but remove the requirement that authorized housing programs can only be for persons of low or moderate income.

Section 3 proposes to amend section 18-2709 which defines what constitutes a "qualifying business" under LOMEDA. That act specifically authorized expenditures for retail businesses operating in cities with a population between 2500 people and 10,000 people. One restriction on the amount of expenditures is that no more than twenty percent of the total revenue generated in any five year period may be devoted to retail trade. This restriction is repealed by this section.

Section 4 amends section 18-2717 to repeal subsection (2) which placed absolute dollar restrictions on the amount of funds that could be appropriated for economic development projects under the act in any one year: three million dollars for metropolitan and primary class cities, two million dollars for first class cities, and one million dollars for any second class city or village.

Mike Friend, Chairperson