



PlatteChat

AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

Platte
INSTITUTE
for economic research



Legislative Round-Up

At the beginning of the Legislative session, we at the Platte Institute set out a list of issues we would like to see addressed, which may be viewed [here](#). Throughout the session we have also been tracking specific bills and analyzing how they would affect Nebraska's economy. Here is a look at what positive steps were made in 2012.

Taxes:

Taxes were at the center of this year's Legislative session, and the Platte Institute supported efforts to reduce Nebraska's tax burden.

LB970- Gov. Heineman Tax Relief Package

The center of Governor Heineman's agenda for this year's session was his tax relief package LB970. The original version included Platte Institute proposals of eliminating the inheritance tax, reducing the top corporate income tax rate, and reducing and expanding the rates of the personal income tax. While LB970 was heavily amended and faced stiff opposition from many special interest groups both inside and outside government, it was eventually passed with the individual income tax proposal intact, lowering the top income tax rate from 6.84 percent to 6.7 percent and expanding the rates making the tax code more equitable. While there is more work to be done on lowering taxes, LB970 was a great step forward and a wonderful way to shift conversation from raising taxes to lowering them.

LB745 - Sen. Deb Fischer provides taxpayer protection

Another major tax issue we offered on our initial wish list was the idea to restrict occupation taxes, making these taxes subject to a public vote before they could be levied and tying them to specific projects, like infrastructure improvements. Occupation taxes are enacted by cities and levied on certain businesses as an effort to raise revenue. These taxes are also a way cities can avoid the current state restrictions on sales tax, which currently are not allowed to rise above 1.5 percent. Yet occupation taxes were not bound by these restrictions, leading Lincoln and Norfolk to charge an extra 2 percent, and Omaha an extra 2.5 percent; when combined with state and regular local sales tax, that meant that citizens in these cities paid 9 and 9.5 percent, respectively, on purchases subjected to occupation taxes. LB745, introduced by Valentine Sen. Deb Fischer, provided some protection to tax payers by forcing public votes on occupation taxes and

forcing them to be tied to specific projects and have a sunset mechanism so when the project ended so did the tax. While there were some amendments to make the restrictions more subjective to the size and needs of different communities, the bill passed and Nebraskans are now more protected against the arbitrary imposition of local occupation taxes.

Healthcare Exchanges Fail

This year brought the debate over state healthcare exchanges demanded by the Patient Protection and Affordable Care Act (PPACA) to Nebraska when two bills were introduced with the intention of creating a state-based health care exchange: LB835 introduced by Sen. Jeremy Nordquist and LB838 introduced by Sen. Rich Pahls. As the Platte Institute has noted before, a state-based exchange would provide no local control, as the federal government would essentially control the exchange through regulations. Not establishing an exchange would not mean defaulting to a federal exchange as many claim, as the federal Department of Health and Human Services has not been given the necessary resources to establish exchanges in the states. Additionally, there is a crucial loophole in PPACA that does not allow federal subsidies to flow through federally-controlled exchanges, essentially meaning that even if the federal government set up an exchange in Nebraska, it would be unworkable and no businesses would be impelled or have any incentive to join it. Essentially, LB835 and LB838 would have been doing the federal government a favor, creating an exchange the federal government does not have the funds to create and could not legally fund, but if created at the state level, could be controlled by federal regulations. Furthermore, the creation of such an exchange would have undermined Nebraska's ongoing lawsuit against PPACA before the Supreme Court, and there is no reason to begin implementation of a law if it may be struck down in a few months. Fortunately for opponents of government control of health care, LB835 and LB838 have stalled in committee, and while it is possible for them to be revived, at the moment it appears there will not be healthcare exchanges in Nebraska anytime soon.

Foster Care - Improve Privatization Process

In 2009, Nebraska began contracting with private companies and nonprofits to administer its child welfare and juvenile justice services. However, complications have plagued the system from the start, and a report by the Legislature's Health and Human Services Committee released in December recommended transferring the administration back to the state. The Platte Institute disagreed with that assessment, and released its own study in February advocating that the underlying problems be reformed without completely changing the system for the second time in three years. Indeed, our study found that when it came to the outcomes for children, the private agencies often had better results than the state. In the end, several bills concerning child welfare were passed, some of which contained recommendations made in our report, including: requiring the state to apply for a federal Title IV waiver, which would make child welfare funding more flexible; creating a web-based comprehensive child welfare information system; lowering caseloads for child service providers; and setting clearer benchmarks and progress reports for the child welfare system. More reforms are needed to set Nebraska's child welfare system right, and privatization should not be abandoned,

but these are good first steps.

Free Trade Protects Taxpayers

Of the many bills the Platte Institute tracked this year, the one that would have likely had the most impact on Nebraska's economy was LB923 introduced by Omaha Sen. Heath Mello. LB923-entitled the Nebraska Buy American Act-would have restricted state agencies to only using American-manufactured goods in the construction of public works projects such as buildings, highways, bridges, and railroads; although there would have been an exception if the inclusion of American-made materials resulted in the price of the project increasing by ten percent or more. This would have forced state government's infrastructure spending to skyrocket- a fiscal note estimated that for the University of Nebraska alone, costs would increase between \$6.5 million to \$8.5 million. Fortunately, LB923 stalled, so state government will not have to increase its spending as a result of misguided legislation.

Charity - Hunters Helping the Hungry

Another bill we supported was LB928 because of an AM2667, an amendment introduced by Lincoln Sen. Tony Fulton. AM2667 provided an interesting opportunity for a new public-private partnership dedicated to helping the hungry in Nebraska. The amendment would create the Hunters Helping the Hungry program within the Nebraska Game and Parks Commission. The program would act as a conduit whereby hunters could donate excess venison meat to the state which could contract with willing meat processors. Once the meat is processed, it would be given to various charitable organizations with the processors reimbursed for their help from the Hunters Helping the Hungry Cash Fund. The program would be completely funded by donations and sponsorships, with hunters voluntarily contributing to the Hunters Helping the Hungry Cash Fund at the same time they purchase their hunting permits. This amendment was added to LB928, which was later passed unanimously. This new program is an excellent demonstration of the private and public sectors voluntarily working together to achieve a charitable goal without costing taxpayers a dime.



If you do not wish to receive this newsletter or if you wish to be removed from all future newsletters, please [click here](#) to manage your subscriptions.