



Budgets, Taxes, and City Halls

Omaha's City Council, with slight spending increases, unanimously approved the 2014 budget recommended by Mayor Jean Stothert. Unchanged, Stothert's budget would have reduced Omaha's spending by roughly \$200,000, a marked change from the 2012-2013 budget where spending increased by about \$58 million.^[1] While the council's added spending kept close to the 2013 budget's appropriations of \$793 million, the extras will add up over time, particularly the 311 system that will cost as much as \$1.2 million to set up. Additional expenses added by the Council include \$50,000 for a sustainability management consultant, \$100,000 for the Durham Western Heritage Museum, and moving \$300,000 from the city truancy programs to the Building Healthy Futures and Heartland Workforce Solutions programs.^[2]

Maintaining spending and not raising taxes is a positive outcome, but Omaha still has to face looming pension problems. Estimates using fair market valuation show the Omaha Police and Fire Pension system has a liability of roughly \$1.4 billion, only 25 percent of which is currently funded.^[3] These issues, along with the Council's decision to earmark funds from the 2015 budget,^[4] will set up the Omaha city government for tough choices in the future. To balance Omaha's budget without raising taxes, policymakers must address the pension issue and begin saying no to expenditures that aren't essential to the city's success.

Nebraska's next two largest cities also face challenges.

Lincoln's city budget has steadily increased over the past 7 years,^[5] and now they have increased the city wheel tax for the third year in a row. Since 2011, the tax has increased 18.5 percent, to \$74 for cars and \$111 for trucks. The hardest hit are large commercial trucks, whose tax will rise to \$370.^[6] The increase makes Lincoln's wheel tax the highest in the state, with only a handful of other cities even levying the tax: Omaha's was increased to \$50 in 2011^[7]-and after an attempt to tax out-of-town commuters, Omaha was forced to refund roughly \$90,000 in wheel taxes^[8]-Hastings at \$12, Arlington at \$10, and the tiny town of Farnam in Dawson County at \$20.^[9]

These taxes are on top of the regular state vehicle fees all Nebraskans already have to pay, which a 2011 study by the Idaho Transportation Department estimated were the seventh-highest vehicle registration fees in the nation. Out of our neighboring states only Missourians pay more to register their vehicles.^[10] Another study in 2008 by the Nebraska Highway Patrol showed that up to 14,000 drivers evaded these fees by registering their vehicles in Iowa and South Dakota, costing the state \$11 million annually.^[11] Lincoln and other municipalities should keep this in mind when they repeatedly turn to wheel taxes as a quick source of revenue. Residents will find it preferable to register their cars in the next town over, and for cities like Lincoln and Omaha, there

are plenty of neighboring towns to choose from.

Bellevue, whose biannual budget increased by 12.4 percent between 2012 and 2013,^[12] is contemplating whether to follow in Omaha's footsteps and institute a restaurant tax, even though Omaha Mayor Jean Stothert intends to end it.^[13] Bellevue's tax would be identical to Omaha's, a 2.5 percent tax on city restaurants on top of the combined local and state sales taxes that add up to 7 percent. This means that patrons of Bellevue restaurants would pay 9.5 percent of their bill in taxes when they go out to eat, giving Bellevue one of the highest meal tax rates in the country, even higher than the infamously high priced and high tax cities of New York, Los Angeles, Boston, and Detroit.^[14] It should also be noted that last November Bellevue voters rejected increasing Bellevue's sales tax by 0.5 percent;^[15] a clear sign that residents do not want new taxes. Ignoring that signal and imposing a new occupation tax five times larger than the one they just rejected would be very unwise.

Lincoln and Bellevue would do better to curb spending rather than taxing citizens more, and if Omaha policymakers intend to lower and eliminate some of the taxes currently in place—such as the restaurant tax—the only way to do so is by reducing spending. Reducing spending would also be a step towards addressing the pension problem. Additionally, as noted by a recent Platte Institute study, local property taxes in Nebraska have grown at a faster rate than that of our neighbors and the U.S. average from 2000-2012;^[16] cutting spending would ease the burden placed upon property taxes and allow for reductions, benefitting all citizens.

[1] City of Omaha Finance Department, "2013 Adopted Budget: Section E-Budget Appropriated." Accessed August 28, 2013, <http://www.cityofomaha.org/finance/images/stories/Budgets/budget2013adopted/2013%20Adopted%20FINAL%20Sec%20E.pdf>.

[2] WOWT, "Omaha Council Approves Budget," August 27, 2013. Accessed August 28, 2013, <http://www.wowt.com/home/headlines/Omaha-Council-Approves-Budget-221405061.html>; City of Omaha, "Annual Budget For Calendar Year 2014: Recommended." Accessed August 28, 2013, <http://www.cityofomaha.org/images/stories/2014%20Recommended%20Budget%20FINAL.pdf.pdf>; Erin Golden, "After making a few tweaks, Omaha City Council passes Mayor Stothert's \$793M budget," *Omaha World Herald* August 27, 2013. Accessed August 29, 2013, <http://www.omaha.com/article/20130827/NEWS/130828983/1707>.

[3] Andrew G. Biggs, "Honest Accounting and Public Employee Pensions in Nebraska," Platte Institute for Economic Research, May 2013. Accessed August 29, 2013, [http://www.platteinstitute.org/docLib/20130520_Platte-Pension_\(3\).pdf](http://www.platteinstitute.org/docLib/20130520_Platte-Pension_(3).pdf).

[4] Erin Golden, "After making a few tweaks, Omaha City Council passes Mayor Stothert's \$793M budget," *Omaha World Herald* August 27, 2013. Accessed August 29,

2013, <http://www.omaha.com/article/20130827/NEWS/130828983/1707>.

[5] City of Lincoln, "Council Adopted 2012-2014 Biennial Budget Summary." Accessed August 29, 2013, <http://www.lincoln.ne.gov/city/finance/budget/pdf/sum13-14.pdf>.

[6] Nancy Hicks, "Wheel tax increase, third in a row, goes for streets, sidewalks," *Lincoln Journal Star*, August 26, 2013. Accessed August 29, 2013, http://journalstar.com/news/local/govt-and-politics/wheel-tax-increase-third-in-a-row-goes-for-streets/article_1218a510-b43d-54f3-a57b-95dc58cad154.html.

[7] Associated Press, "Omaha budget includes tax increases for 2011," *Lincoln Journal Star* August 25, 2010. Accessed August 29, 2013, http://journalstar.com/news/state-and-regional/nebraska/omaha-budget-includes-tax-increases-for/article_0322cb7c-b079-11df-a6ed-001cc4c03286.html.

[8] Paul Hammel, "Tax refunds for some suburban Omahans," *Omaha World Herald* September 26, 2012. Accessed August 29, 2013, <http://www.omaha.com/article/20120926/NEWS/709269878/1707#tax-refund-for-some-suburban-omahans>.

[9] Nancy Hicks, "Wheel tax increase, third in a row, goes for streets, sidewalks," *Lincoln Journal Star*, August 26, 2013. Accessed August 29, 2013, http://journalstar.com/news/local/govt-and-politics/wheel-tax-increase-third-in-a-row-goes-for-streets/article_1218a510-b43d-54f3-a57b-95dc58cad154.html.

[10] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Accessed August 29, 2013, <http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>.

[11] Clarence Mabin, "Patrol: Up to 14,000 drivers have registered cars out of state," *Lincoln Journal Star*, April 15, 2008. Accessed August 29, 2013, http://journalstar.com/news/local/article_404982ff-4f0c-587b-ba84-229ec2850124.html.

[12] City of Bellevue, "2013-2014 Budget," April 2013. Accessed August 29, 2013, http://www.ci.bellevue.wa.us/pdf/Finance/2013_2014_Budget_book_FINAL.pdf.

[13] Roseann Moring, "Restaurant rax on table for Bellevue City Council," *Omaha World Herald*, August 26, 2013. Accessed August 29, 2013, <http://www.omaha.com/article/20130826/NEWS/130829247/1697>.

[14] Joseph Henchman, Alex Raut, Kevin Duncan, "Meals Taxes in Major U.S. Cities," Tax Foundation, March 1, 2012. Accessed August 29, 2013, <http://taxfoundation.org/article/meals-taxes-major-us-cities-0>.

[15] Martha Stoddard, "Ernie Chambers wants to repeal cities' extra sales tax option," *Omaha World Herald* January 17, 2013. Accessed August 29,

2013, <http://www.omaha.com/article/20130116/NEWS/701179999>.

[16] Goss & Associates, "Taxes, Debt, and Economic Growth: Nebraska Counties, 2000-2012," Platte Institute for Economic Research, August 2013. Accessed August 29, 2013, http://www.platteinstitute.org/docLib/20130828_Platte-TaxesDebtGrowth.pdf.

