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Local Government Needs to Prioritize by Jordan Cash

Douglas County officials were quick to criticize Governor Heineman's tax relief plan last January because of its provision to eliminate the inheritance tax, arguing that elimination of the tax would force the county to cut essential services or raise property taxes.[\[1\]](#) Now, eight months after threatening to raise property taxes or cut essential services if the inheritance tax was cut, the Douglas County Board has voted to commit \$5 million over the next ten years to the construction of the University of Nebraska Medical Center's (UNMC) new cancer center, to be paid for by inheritance taxes.[\[2\]](#)

It is great that an expansion of UNMC would make it an epicenter for cancer research, but it begs the question-how much of the \$370 million expansion are taxpayers going to pay for?[\[3\]](#) In the last legislative session, state lawmakers committed \$50 million from the state's cash reserve for the project,[\[4\]](#) \$5 million in taxpayer dollars is committed by Douglas County, and the City of Omaha has now proposed a new occupation tax on cigarettes in order to raise an additional \$35 million.[\[5\]](#)

Regardless of how worthy the cause, cities and counties should be careful doling out taxpayer funds to favored organizations like the University. They should be especially careful when the funding sources they are relying on are volatile.

Although the county is estimating that the inheritance tax will bring in roughly \$12 million this fiscal year, such an estimate is optimistic, and would be a 23 percent increase over last year's inheritance tax revenue, which totaled only \$9.2 million. Prior to that, the inheritance tax had been decreasing rapidly as a revenue source, going from \$9.9 million in fiscal year 2007 to \$7.8 million in fiscal year 2009.[\[6\]](#) If the inheritance tax is as vital to county services as officials argued last January, spending such a substantial portion on this project would severely cut into other county services, particularly when the tax is not a consistent stream of revenue.

Beyond the fluctuating inheritance tax, Douglas County faces a large budget deficit. The county estimates it will bring in slightly under \$241.5 million in revenue, and expects to spend \$244.9 million, a deficit of \$3.4 million; not including the money now committed to UNMC.[\[7\]](#) Spending has been driven, in part, by salary increases. Between 2006 and 2010, Douglas County increased salary spending from \$83.2 million to \$98.7 million.[\[8\]](#) Since then, county salaries have increased several times, including increasing the payroll of the Public Defender's and County Attorney's Offices by \$220,000 and \$237,000,

respectively-even after both offices got a one percent pay increase in January-increasing compensation for 105 union workers by a total of \$275,000 over three years, and setting aside \$200,000 for salary increases for city managers and non-union workers.^[9] At the same time, average weekly wages for all workers in Douglas County fell by 2.6 percent between 2010 and 2011.^[10] These salary increases, as well as taxpayer funds committed to UNMC, suggests two things: Douglas County is not serious about controlling its deficit, and the inheritance tax is not the vital revenue source for essential services Douglas County officials claimed it was in January.

The City of Omaha's proposed occupation tax on cigarettes would add an extra 35 cents on every pack of cigarettes sold in city limits, on top of the federal government's \$1.01 tax and the state's cigarette taxes, which are 64 cents for a pack of 20 and 80 cents for a pack of 25.^[11] The tax is estimated to bring in \$35 million over the next ten years. Because this averages to \$3.5 million a year, it circumvents the restrictions placed on occupation taxes last year by the state legislature, which require all occupations taxes with estimated revenues over \$6 million to be put to a vote of the people.^[12]

While it may seem like a political coup to tax a group that has little power to react, there are problems with imposing a city cigarette tax. First, the tax would only operate on cigarettes sold within the Omaha City limits, which means smokers can simply go into one of the many stores outside Omaha proper to buy cigarettes, in places like Ralston, La Vista, Papillion, Bennington, or Valley. This could undercut projected tax revenue in addition to hurting cigarette sales for city stores, perhaps even costing jobs.^[13]

Overall, the desire to invest money to create a UNMC cancer center is well-intentioned. But with looming budget deficits, Douglas County is not in a position to be able to afford these commitments of taxpayer money and the City of Omaha's efforts to raise cigarette taxes, at best, have not been fully thought through, and at worst, would cost Omaha jobs.

^[1] Katie Schubert, "Douglas County Board opposed to legislation ending inheritance tax," KIOS Omaha Public Radio, January 24, 2012. Available at <http://kios.org/post/douglas-county-board-opposed-legislation-ending-inheritance-tax>, accessed September 11, 2012; Joe Duggan, "Counties fear inheritance tax loss," *Omaha World Herald*, January 13, 2012. Available at <http://www.omaha.com/article/20120113/NEWS01/701139875>, accessed September 11, 2012.

^[2] John Ferak, "Douglas pledges \$5M to UNMC cancer center," *Omaha World Herald*, September 11, 2012. Available at <http://www.omaha.com/article/20120911/LIVEWELL01/709119892/1694>, accessed September 11, 2012.

^[3] University of Nebraska Medical Center, "Cancer Center Project-Q&A." Available at <http://www.unmc.edu/cancercenter/docs/QandA-sheet.pdf>, accessed September 11,

2012.

[4] Chuck Brown, "Governor Approves 'Healthier Nebraska' Funds," *UNMC News*, April 3, 2012. Available at http://app1.unmc.edu/publicaffairs/todaysite/sitefiles/today_full.cfm?match=9233, accessed September 11, 2012.

[5] Joe Jordan, "Ashford to NU President: 'Get the city council off the hook,'" *Nebraska Watchdog*, September 12, 2012. Available at <http://watchdog.org/56064/ashford-to-nu-president-get-the-city-council-off-the-hook/>, accessed September 12, 2012.

[6] Douglas County, "Adopted Budget 2012/2013." Available at <http://www.douglascounty-ne.gov/countyclerk/images/stories/DoCoAdoptedBudget12-13.pdf>, accessed September 12, 2012.

[7] Douglas County, "Adopted Budget 2012/2013." Available at <http://www.douglascounty-ne.gov/countyclerk/images/stories/DoCoAdoptedBudget12-13.pdf>, accessed September 12, 2012.

[8] Douglas County Salaries, *Omaha World Herald*. Available at http://dataomaha.com/douglas_county_salaries/, accessed September 12, 2012.

[9] John Ferak, "Lesser-paid attorneys to get pay hike," *Omaha World Herald*, April 18, 2012. Available at <http://www.omaha.com/article/20120418/NEWS01/704189852/-1>, accessed September 12, 2012; John Ferak, "Raises likely for county workers," *Omaha World Herald*, April 2, 2012. Available at <http://omaha.com/article/20120402/NEWS01/704029936>, accessed September 12, 2012.

[10] Bureau of Labor Statistics, "County Employment and Wages in Nebraska-Fourth Quarter 2011." Available at <http://www.bls.gov/ro5/qcewne.htm>, accessed September 12, 2012.

[11] Joe Jordan, "Ashford to NU President: 'Get the city council off the hook,'" *Nebraska Watchdog*, September 12, 2012. Available at <http://watchdog.org/56064/ashford-to-nu-president-get-the-city-council-off-the-hook/>, accessed September 12, 2012; Bernard J. Scherr, "LRO Backgrounder: A Brief History of Nebraska's Cigarette Tax," Legislative Research Office, March 2012. Available at http://nebraskalegislature.gov/pdf/reports/research/2012_cigtax.pdf, accessed July 16, 2012.

[12] Joe Jordan, "Ashford to NU President: 'Get the city council off the hook,'" *Nebraska Watchdog*, September 12, 2012. Available at <http://watchdog.org/56064/ashford-to-nu-president-get-the-city-council-off-the-hook/>, accessed September 12, 2012; Nebraska Legislature, "Legislative Bill 745," April 11, 2012. Available at <http://nebraskalegislature.gov/FloorDocs/Current/PDF/Slip/LB745.pdf>, accessed

September 12, 2012.

[13] Karla James, "Omaha looking at new tax on cigarettes to fund UNMC's new cancer facility," *Nebraska Radio Network*, September 10, 2012. Available at <http://nebraskaradionetwork.com/2012/09/10/omaha-looking-at-new-tax-on-cigarettes-to-fund-unmcs-new-cancer-facility/>, accessed September 12, 2012.



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