Nebraska legislators and legislative committees have designated their priority bills for the session. Priority bills are placed ahead of non-priority bills on the legislative debate schedule, so receiving a priority designation increases a bill's likelihood of being debated by the full Legislature. The list of priority bills can help provide insight into what measures will be on the legislative agenda for the remainder of the session. Below we discuss some of the priority bills that relate to OpenSky's work and what position we have taken on them.

Priority bills that OpenSky supports

LB 108 -- which has been advanced to second-round debate with AM 975 -- would help address what's known as the "SNAP cliff effect." This occurs when a small increase in earnings results in a steep loss of Supplemental Nutrition Assistance Program (SNAP) benefits, thus increasing the gap between low-income, working families and self-sufficiency. LB 108 would help lessen the cliff effect by increasing the income limit for SNAP eligibility from 130% -- the federal minimum -- to 165%. This cliff effect "can create an anchor into, rather than a ladder out of, poverty" for families, according to the National Conference of State Legislatures (NCSL). "They lose more than they gain when they take a job or receive a raise and their safety net is simultaneously weakened or eliminated. For businesses, it often means perpetually recruiting, hiring and training for the same entry-level positions." This means every Nebraskan is hurt by the cliff effect: "the workforce shortage is not filled, families do not exit social support systems, and economic growth is stifled."

LB 132 would create the School Finance Review Commission, which presents a commonsense solution to Nebraska's high reliance on property taxes. The issues contributing to our high reliance on property taxes are complex and difficult to address in the context of a single legislative session. This school funding review would serve a similar purpose to the School Finance Review Commission, created in the late 1980s. The product of that commission was our current K-12 funding formula, which in its initial years did help reduce our reliance on property taxes. The formula, however, has been tweaked multiple times in the years since, often resulting in reduced K-12 funding and increased reliance on property taxes. Taking another comprehensive look at how we fund schools in Nebraska can help lawmakers determine what steps can be taken to address this long-standing issue in a meaningful and sustainable way.

LB 298 would expand Unemployment Insurance (UI) benefits to current Deferred Action for Childhood Arrivals (DACA) recipients, individuals with Temporary Protected Status (TSP) and asylum seekers. These workers have been paying into a system from which they cannot benefit if laid off from their jobs and so it makes sense to extend UI benefits to them. The pandemic has made clear how necessary a strong UI system is not only to help families get by, but also to support the state economy.

LB 388 with AM 530 would create the Nebraska Broadband Bridge Act, a broadband grant program targeted to unserved and underserved areas of the state. This grant is to be funded at $40 million over two years and will be administered by the Nebraska Public Service Commission. Broadband Now ranks Nebraska as the third worst for broadband service and access. In an increasingly remote world, LB 388 can help Nebraska attract young families and entrepreneurs to our state by increasing access.

Priority bills that OpenSky opposes

LB 2 would reduce the valuation of agricultural land to 50% of actual value for property taxes paid on principal and interest for school bonds issued on or after Jan. 1, 2022. The bill -- which we are neutral on -- as amended by committee AM 638 to bring in provisions originally introduced by LB 79 -- which we oppose, would grow the state's property tax credit program by 3% each year starting in 2023, regardless of Nebraska's financial condition. The valuation changes would create a significant tax shift in some school districts as it would significantly reduce property taxes paid by farmers and ranchers for school bonds, causing bond property taxes paid by residential and business owners to increase. Also, the increase in the property tax credit fund combined with the increase in the new income tax credit created by LB 1107 last year would combine to account for 12.5% of the state's general fund appropriations from 2026 through 2030. This creates concerns that the combined revenue losses will force dramatic cuts to schools, health care and other services Nebraskans need.

LB 64 -- as amended by AM 473 -- would phase in a complete tax exemption of Social Security income over the span of nine years, with all social security income becoming exempt by 2030. According to the fiscal note, the measure will cost the state more than $131 million annually once fully implemented. Retirees in the top 20% of incomes -- those who make more than $114,000 -- will receive two-thirds of the tax cut created by LB 64 once it's fully implemented, analysis by the Institute on Taxation and Economic Policy (ITEP) shows. The revenue losses created by the bill threaten funding for health care and other services that Nebraska retirees rely upon.

LB 364 would create the Opportunity Scholarship Tax Credit, a dollar-for-dollar tax benefit for those who donate to an organization that provides private school scholarships. This tax credit is significantly more generous than any other credit, including that for other charitable donations. For example, a $10,000 donation to a scholarship granting organization will be worth $10,000 to the taxpayer while a $10,000 donation to a public-school foundation would only be worth $684 for someone paying at the top personal income tax rate. Committee AM 762 would limit the annual cost of the scholarship tax credit to $5 million and it also would create a separate $5 million tax credit for contributions to qualified early childhood education or child care programs -- a provision originally introduced in LB 531.

LB 408 would limit local government property tax growth to 3% per year or 9% over a three-year period as amended by the Committee AM 371. LB 408 could have harmful impacts on local governments and undermine the principle of local control. As we noted in a prior analysis, LB 408 also would have a disparate impact on local governments based on their mix of revenue streams. While many local entities would likely see their total revenue growth held lower than 3%, some other entities could actually see their overall revenues increase. The bill would sunset in 2027 and does allow school districts and other local governments some exclusions to the cap, which are described in the committee statement.

LB 432 as amended by Committee AM 774 is an omnibus bill that would remove some corporate income from the state's corporate tax base introduced in LB 347 by decoupling from a tax base broadening provision of the federal Tax Cuts and Jobs Act of 2017 intended to recapture domestic profits held in overseas tax havens. The state would forego a significant amount of revenue because of this longstanding method of tax avoidance. It also would lower the top corporate rate from 7.81% to 6.84% -- a measure originally proposed in LB 680. The benefits of decoupling, as well as the benefits of lowering the top corporate income tax rate, would primarily go to out-of-state corporations and shareholders, who are disproportionately older, wealthy and white. LB 432 also would create a new tax exemption for firefighters with cancer, originally introduced in LB 299; a tax credit for parents of stillborn children, which was originally proposed in LB 597; and incorporate changes from LB 564 regarding the Nebraska Education Savings Plan Trust to allow 529 plans to be used for apprenticeships. LB 432 as amended will reduce revenues by nearly $148 million over the next two budget cycles.

LR 11CA would put a resolution on the 2022 ballot asking voters whether the state should prohibit all forms of taxation except a consumption tax, which is essentially a sales tax on all new goods and services sold in Nebraska. The measure is a companion proposal to LB 133, which calls for all other forms of taxation in Nebraska to be replaced by a 10.64% consumption tax. In order to be revenue neutral, the rate of such a tax would need to be considerably higher as the LB 133 fiscal note shows the measure would reduce state revenues by nearly $4 billion. The consumption tax could also extend to many goods and services not currently taxed -- most for good policy reasons -- like health care, tuition and mortgages.

LR 14 would call for a Constitutional Convention to propose amendments to impose fiscal restraints on the federal government, limit the power and jurisdiction of the federal government, and create term limits for members of Congress. Concerns about the federal debt are understandable but balanced budget requirements and other arbitrary finance restrictions would limit America's ability to respond in times of recession or national crises like the COVID-19 pandemic. The ability of the federal government to go into debt during recessionary periods is vital for economic stability. And any sort of balanced budget amendment could compromise federal benefits like Medicare and

Social Security. Furthermore, there are no real guardrails preventing a Constitutional Convention from taking on issues beyond those listed in LR 14, which means delegates could enact other sweeping changes to our government. This is a particularly risky proposition considering our nation's current intense political divide.

Other priority bill that OpenSky is monitoring because of considerable fiscal policy implications

LB 454 creates the School Property Tax Stabilization Act. The measure -- with AM 789 -- would provide an influx of state K-12 aid, phased in over a four-year period, to school districts that are heavily reliant on property taxes, meaning they rely on property taxes to fund at least 55% of their formula needs. In FY22, aid will go to districts whose property tax requirement exceeds 70% of needs, transitioning to 55% by FY25 and thereafter. LB 454's attempt to reduce the state's reliance on property taxes by increasing state aid to K-12 education falls in line with recommendations made in several studies of the Nebraska tax code, including the 2013 Tax Modernization Committee Report. It is concerning, however, that the bill does not designate a new revenue source to fund the increased state aid. The measure also will create disparate impacts on taxpayers and will increase the disparity in levies between school districts since the stabilization aid will largely benefit lower levy districts.