

Friday, January 19, 2018 1:30 p.m.

LB710

LB847

LB848

(Signed) Laura Ebke, Chairperson

GENERAL FILE

LEGISLATIVE BILL 181. Considered.

Senator Quick asked unanimous consent to pass over LB181. No objections. So ordered.

MOTION(S) - Withdraw LB823

Senator Hughes offered his motion, MO156, found on page 182, to withdraw LB823.

The Hughes motion to withdraw the bill prevailed with 34 ayes, 0 nays, 11 present and not voting, and 4 excused and not voting.

EASE

The Legislature was at ease from 9:46 a.m. until 9:56 a.m.

MOTION - Escort Governor

Senator Halloran moved that a committee of five be appointed to escort the Governor of the State of Nebraska to the Legislative Chamber to deliver his State of the State Address.

The motion prevailed.

The Chair appointed Senators Clements, Kolowski, Lowe, Watermeier, and Wishart to serve on said committee.

STATE OF THE STATE ADDRESS

President Foley, Speaker Scheer, Members of the Legislature, Tribal Chairmen, Distinguished Guests, Friends, Fellow Nebraskans, and of course, our First Lady, my lovely wife Susanne—good morning!

Before I begin, I want to recognize your newest member, Senator Theresa Thibodeau of Omaha. She is a small business owner and involved with early childhood education. Her background and experience will be a great contribution to the body. I look forward to working with you, Senator.

To all the senators, congratulations on the commencement of the second session of the 105th Nebraska Legislature.

Working together is in our DNA, and is the hallmark of Nebraska's non-partisan, Unicameral Legislature. In fact, leadership and working together helped build this great state. We know this from our history.

This year marks the 100th anniversary of the end of World War I. During World War I, Nebraskans came together to raise private dollars to form a field hospital for wounded soldiers returning from the Front. Many gravely injured were treated at the "Little Nebraska" hospital.

That spirit is alive and well today. When Hurricanes Harvey and Irma battered our coast from Florida to Texas, Nebraska National Guard members answered the call and came to the aid of families and communities in need.

Nebraska National Guard members not only serve their fellow citizens, but are on the front line in the War on Terror. Last month, I visited 54 of our National Guard soldiers in Guantanamo Bay, Cuba who are helping to detain enemy combatants. Twenty-five years ago new enlistees did not expect to be deployed overseas. Today, men and women who join the National Guard not only expect to be deployed, but want to take the fight to the enemy. I am incredibly proud of them, and we salute them for their service and sacrifice.

Nebraskans have a long tradition of pulling together to help each other in good times and bad. We've built our stories right into our Capitol building as a source of inspiration.

In the spirit of cooperation, we come together each year to accomplish the priorities that matter most to Nebraskans.

Our work together is helping to grow our state and keep Nebraska the best place in the world to live, work, and raise a family.

It is not always easy, but it is important. Working together last year, we accomplished many great things.

Under Speaker Scheer's leadership, you passed a bill that protects the ability of our teachers to exercise religious freedom.

With Chairman Stinner's help, we worked on and enacted an unprecedented two budgets, so that the state can live within its means.

Senator Watermeier delivered to my desk the first pro-life legislation in several years with the "Choose Life" license plate.

Senator Friesen and Senator Murante worked with us to streamline state government and merge state agencies.

Senators Riepe, Blood, Erdman, Lowe, and Lindstrom led successful efforts to reform occupational licenses.

Senator Walz successfully championed a bill protecting injured first responders from losing their healthcare insurance.

Senator Hilgers and Senator Geist passed legislation which allows our Department of Transportation to assume responsibility for environmental reviews.

Senator Kuehn helped end the practice of allowing people to quit their jobs and turn around and claim unemployment benefits. Nebraska was one of the last states to make this change!

And Senator Wishart had a common sense bill which I signed that allows counties to protect the personal information of law enforcement officers.

Those accomplishments were not always easy—but through leadership and working together we got the job done.

This is my fourth State of the State address and our fourth year of working together on the priorities Nebraskans care about. And I'm happy to report that the state of the state is strong and growing!

Last year, Nebraska won the Governor's Cup for most economic development projects per capita of any state in the country. Nebraska had more qualified projects than North Dakota, South Dakota, and Kansas combined.

Forbes ranks Nebraska the fourth best state for business. We moved up seven spots in Chief Executive Magazine's ranking of best states for business.

Folks, this matters because when companies move here and invest, they create job opportunities for our people.

This past year, we've continued to achieve record levels of employment with over 1 million non-farm jobs and the lowest unemployment rate in our state since 1999 at 2.7 percent. And our population hit 1.92 million people for the first time ever.

These achievements are no coincidence. Senators in this chamber and the teammates in my administration work every day to grow Nebraska.

Working with you, we will continue to bring new opportunities to Nebraska. International partnerships are helping us create great-paying job opportunities for Nebraskans.

For example, we went to Canada in August to help recruit Agri-Plastics, which has created 20 new jobs in Sidney.

A new investment from Novozymes in Blair followed our 2015 visit to Denmark.

Japan is Nebraska's number one foreign direct investor. There's no better example of that than Kawasaki, which just opened their first U.S. aerospace division right here in Lincoln. Our trade mission in 2015 supported this expanded investment.

When we foster more investment by multinational businesses, we help Nebraskans like Eric Jones. Eric's been a long-time production worker for Kawasaki, and he's a great teammate who gets paid a good wage to support his wife and three children. When Kawasaki announced the aerospace expansion, he volunteered and he earned a spot as a supervisor. The company flew him to Japan for three months of training.

Eric told me Kawasaki is great for Lincoln. Besides the good-paying jobs and investment, Kawasaki supports local charities and uses local vendors. Eric and his wife Miranda are here with us today. Let's give them a warm welcome and thanks!

In Nebraska, we export over \$8 billion of goods annually.

Our work in China over the last three years helped open the door for Nebraska beef for the first time in 14 years. Beef from a Nebraska company was the first to arrive in China last summer, and I'm excited to report that over half the American beef in China now comes from Nebraska!

In the past 12 months, we have also seen Argentina reopen their market to American pork. Bulgaria signed new soybean deals with Nebraska. Vietnam opened their doors to dried distillers grains. And Japan is set to open their marketplace to American ethanol.

These successes wouldn't be possible without the great international teams at the Department of Agriculture and Department of Economic Development. Our teams are working together to grow market access and develop new partnerships. They are with us here today. Please help me thank them for their great work!

We also work hard to recruit U.S.-based businesses. The Silicon Prairie has continued to thrive. In 2016, my team and I traveled to Menlo Park, California to sell Facebook on Nebraska. Last year, Facebook broke ground on a 970,000 square foot campus in Papillion, which will create hundreds of jobs and hundreds of millions of dollars of investment.

Costco selected Fremont as the home for their first-ever chicken processing operation. A team effort closed the deal with the help of state agencies, business leaders, and elected officials.

Other major investments have come from companies such as Hudl, Becton Dickinson, Cargill, Evonik and our ethanol producers. These are just a few of the over 200 projects that state, regional, and local economic developers worked on in our efforts to grow Nebraska last year.

These investments in Nebraska help Eric Jones, his family, and so many other families to have an opportunity to work hard and invest in their communities.

We can recruit business because we have a great story to tell here in Nebraska. Throughout the year, our team works every day to make government run at the speed of business by making it more effective, more efficient, and more customer-focused.

Our Center of Operational Excellence is working with state agencies to eliminate waste and speed up service. With this philosophy, we are turning around environmental permits in a single day, reducing backlogs for tax credit applications, and more.

We are also delivering licenses faster, so we can connect medical professionals to great job opportunities here in our state. For example, we reduced the nurse licensing processing time from 96 days in November 2015 to an average of just 30 days in December 2017.

Changes like this are helping Nebraska put people to work more quickly. Shalah Shannon recently moved to Bellevue with her husband who is in the Air Force. She applied for her nurse license in December and received it in 15 days.

This is just one of many great stories about how we are improving our services. Running an operationally excellent organization is a team effort. Please help me recognize the Center of Operational Excellence team for all their great work. They are here today.

To complement the work we are doing in the area of process improvement, my agencies are also cutting red tape. In July, we launched a review aimed at cutting unnecessary regulation to streamline state government.

In November, state agencies came back with initial recommendations. Today, Senator Murante is introducing legislation at my request which will help eliminate unnecessary red tape. Thank you, Senator Murante!

All of this great work we've done together sets a tone that Nebraska is open for business from manufacturing to technology to agriculture.

But we also have challenges. The first of which is working on the budget. This is our top priority.

In October, the Nebraska Economic Forecasting Advisory Board reduced the revenue forecast. While our state's economy once again has the wind at its back, revenues continue to fall short of the board's expectations.

We've been preparing for this. We've reduced our state workforce by 500, or about 4 percent, and eliminated 1,500 open positions. In preparation for budget cuts, we reduced agency allotments by 2 percent over the final two quarters of the year.

Last year, working with you, we balanced the budget without raising taxes. This year, we need to do the same again.

I am proposing across-the-board reductions of 2 percent in this fiscal year and 4 percent in the next year.

Consistent with our work, I have designated priorities for funding in the budget like K-12 education, Corrections, and services to help the developmentally disabled.

I am also asking you to make new targeted investments.

We have seen a significant increase in the number of children coming into our state's child welfare system. Annually, we are up about 9 percent, or about 485 kids. That is heartbreaking.

In this budget, I am recommending an additional \$35 million to Child Welfare and Public Assistance for this year and next. We must take care of our kids.

DHHS reports that in the first seven months of 2017, parents using methamphetamine were a factor in one of every three removals of children from their homes. We have to get to the bottom of this disturbing trend and all of the other contributing factors. That's why I will be forming a new child welfare task force to determine the root causes.

We also must continue to invest in Nebraska's Department of Correctional Services. I am recommending expanding the number of corrections officers as well as reinvesting \$6 million in unspent funds back into our prisons. This will help us expand our capacity.

Additionally, thanks to action by Congress, my budget recommends new steps to protect unborn life by ensuring that federal Title X dollars are not used to fund abortion. Nebraska is a pro-life state, and our budget should reflect those values.

I look forward to working with Chairman Stinner and the entire Appropriations Committee to balance the budget.

Our next challenge has to do with taxes. Cutting and reforming taxes is key to growing Nebraska. Over the years, together, we have done the hard work needed to hold the line on taxes, but Nebraskans need and expect more.

If we are going to remain competitive and grow into the future, we must continue our efforts—no matter how difficult. The Tax Foundation ranks Nebraska's property taxes as 11th highest in the nation, which is the worst among surrounding states.

While we have provided over \$840 million in property tax relief over four years, we've all heard stories of how high property taxes are hurting Nebraskans. This fall, a farmer approached me at an event to let me know that his high property taxes had driven him to sell his farm, leave Nebraska, and move to Missouri. That's terrible. Stories like this have inspired me to continue making property tax relief a top priority.

It's an urgent need. We must help our farmers and ranchers with crushing property tax bills. We must help all Nebraskans keep more of their hard-earned money and attract more people to come to our state.

Our neighboring states are making themselves more competitive. The only surrounding state with an income tax higher than ours is Iowa, and right now Iowa Governor Kim Reynolds and their Legislature are lowering their taxes. Missouri just lowered their tax rates this month.

My team has been working tirelessly with you and a wide variety of groups throughout the summer and fall. We have to show our taxpayers that we get the message. They want tax relief.

That's why today, Senator Smith is introducing the Nebraska Property Tax Cuts and Opportunity Act. This legislation will serve as the framework for delivering tax relief this session.

Our proposal has three major components.

First, it restructures existing property tax credits as a new refundable credit on state taxes, which ensures that Nebraskans—not absentee landowners—receive the credits. It also provides for additional relief in future years when our revenue is growing. Over the next 10 years, we expect this would provide over \$4 billion in property tax relief for ag producers and home owners. And it focuses the relief on the average Nebraska homeowner.

Second, in today's mobile economy, young people graduating from our colleges, skilled workers, and even longtime residents can up and move to lower tax states. We have the jobs and great communities. Let's also work towards an income tax system that is just as welcoming. Our proposal uses

existing tax credits to achieve a permanent reduction in the state's uncompetitive individual and corporate income tax rates. This will provide relief for our families and small businesses. Right now, 90 percent of individual income taxes paid by Nebraskans are at that top individual rate, and 90 percent of Nebraska businesses pay at the top individual rate.

Finally, our proposal provides for an additional \$10 million dollars over two years for workforce development.

Folks, we can bring relief to Nebraska's families and businesses and help continue to grow our state. It is critical that we get the job done on tax relief this session.

Senator Smith and I will continue to work with senators and other groups seeking tax relief. We all need to be open to compromise. Tax relief will need to be a bipartisan effort, and it will be something we all do together for the good of our entire state.

Let's roll up our sleeves and get the job done.

We have our work cut out for us, but I have no doubt we're up to the challenge. When we are here in the State Capitol, let's do what's right for the hardworking people of Nebraska like Eric and Miranda Jones.

To make that happen, we have to remain laser-focused on growing Nebraska. This session, that means: Cutting red tape, balancing the budget, and delivering tax relief.

Nebraskans expect results.

As demonstrated during time of war, in the midst of natural disaster, and on the walls of our State Capitol, the character of our people is to work together. In doing so, we will continue to make Nebraska the best place in the world to live, work, and raise a family.

It's hard to believe that this will be the last session for several of our most experienced members who are term-limited or retiring.

They have collectively made significant contributions to the state.

Please join me in recognizing Senators Baker, Brasch, Harr, Krist, Larson, Schumacher, and Smith for their work over the last several years.

When the University of Nebraska named Scott Frost as the next head football coach, he offered a formula for winning that applies here: "a lot of good people that care about this place working really hard, it's toughness, it's dedication, it's work ethic, and that's what Nebraska is, that's what the people of Nebraska are..."

Those words are valuable to our service here in the Capitol. As we turn the page and open the next chapter in our work, there will almost certainly be principled disagreements and heated debates.

But for over 150 years, Nebraskans have always come together for a cause bigger than themselves. We will draw upon their strength this year to address the priorities of our people.

God Bless you in your work, God Bless America, and God Bless the great State of Nebraska.

The committee escorted Governor Pete Ricketts from the Chamber.

BILLS ON FIRST READING

The following bills were read for the first time by title:

LEGISLATIVE BILL 944. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to amend Laws 2017, LB268A, section 3; Laws 2017, LB327, sections 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 21, 22, 23, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35, 37, 38, 39, 40, 45, 49, 50, 52, 54, 55, 57, 59, 62, 68, 69, 70, 71, 73, 82, 85, 86, 87, 92, 96, 97, 98, 100, 101, 102, 103, 104, 106, 107, 108, 109, 110, 112, 116, 125, 126, 128, 130, 132, 134, 136, 137, 138, 139, 140, 145, 146, 147, 148, 149, 150, 152, 153, 154, 155, 162, 163, 165, 166, 168, 169, 170, 172, 173, 176, 177, 182, 186, 189, 190, 192, 195, 196, 199, 201, 204, 208, 210, 211, 213, 214, 215, 216, 218, 221, 222, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 239, 240, 241, 242, 243, 244, 247, 249, 250, 251, 255, 260, 263, 265, and 272; Laws 2017, LB329, sections 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, and 18; Laws 2017, LB330, sections 25 and 42; and Laws 2017, LB512A, section 2; to define terms; to provide, change, and eliminate appropriations for operation of state government, state aid, postsecondary education, and capital construction; to provide for transfers of funds; to require reports; to repeal the original sections; and to declare an emergency.

LEGISLATIVE BILL 945. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to amend section 81-1121, Reissue Revised Statutes of Nebraska, sections 49-14,140, 61-224, 81-2,162.27, and 84-1227, Revised Statutes Cumulative Supplement, 2016, sections 37-327.02, 59-1608.04, 71-7611, and 81-3714, Revised Statutes Supplement, 2017, and Laws 2017, LB331, sections 3, 4, and 11; to provide for transfers of funds; to change transfer provisions; to harmonize provisions; to repeal the original sections; and to declare an emergency.