

LEGISLATIVE BILL 290. Introduced by Linehan, 39.

A BILL FOR AN ACT relating to revenue and taxation; to amend sections 77-2701.02 and 77-27,132, Reissue Revised Statutes of Nebraska; to change the sales and use tax rate; to harmonize provisions; to provide an operative date; and to repeal the original sections.

LEGISLATIVE BILL 291. Introduced by Linehan, 39.

A BILL FOR AN ACT relating to revenue and taxation; to amend sections 77-2701.13, 77-2701.16, 77-2701.32, 77-2705, and 77-2708, Reissue Revised Statutes of Nebraska; to redefine terms relating to sales and use taxes; to change provisions relating to sales and use tax permits and collection; to provide an operative date; to repeal the original sections; and to declare an emergency.

LEGISLATIVE BILL 292. Introduced by Vargas, 7; McDonnell, 5; Stinner, 48.

A BILL FOR AN ACT relating to appropriations; to appropriate funds to the State Department of Education.

MOTION - Escort Governor

Senator Friesen 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 Crawford, McDonnell, Geist, Bostelman, and Hughes to serve on said committee.

STATE OF THE STATE ADDRESS

"Our republic works best when we find areas of collaboration where we can put Nebraskans first."

"Over the past four years, we have strengthened Nebraska's place in the world with our four pillars for growth."

"Property tax relief is the number one priority Nebraskans want as I travel the state."

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

Once again, congratulations on the commencement of the 106th Nebraska Legislature. And congratulations to Speaker Scheer on your reelection. I look forward to working with you.

The Unicameral is a unique institution among legislative bodies in our nation. Each of you has a solemn responsibility as one of forty-nine citizen legislators to represent the best interests of your constituents.

As I begin, I want to take a moment to welcome the newest members of the body. Each of you brings significant experiences and perspectives. Senator Arch has a background in healthcare administration. Senators Brandt, Murman, and Dorn will be voices for agriculture as we work to grow our number one industry. Senators Cavanaugh and DeBoer have experience in higher education. Senator Gragert is a 40-year veteran of the Air Force and Nebraska National Guard. Senators Hansen, Hunt, La Grone, and Slama bring important perspectives as entrepreneurs, small business owners, and young professionals. Senator Lathrop returns as a seasoned legislator. And Senator Moser is a small business owner and a former local public servant as Mayor of Columbus.

Let's recognize this new class and welcome them again.

In the coming weeks and months, each of us will use our experience as we shape public policy and work together. Our republic works best when we find areas of collaboration where we can put Nebraskans first.

As we begin our work this year, I am happy to report to you that the state of the state is strong and growing.

Last week, I relayed in my inaugural address that Nebraska has achieved high marks over the past year. We are the number one state for fiscal condition; number two for cost of doing business and regulatory environment; we have the third highest wage growth since 2014; we have the fourth best workforce participation rate; Forbes says we are the fifth best state for business; and we have the sixth lowest unemployment rate in the country.

Over the past four years, we have strengthened Nebraska's place in the world with our four pillars for growth, which include developing our people; cutting the regulatory red tape; controlling spending so we can deliver tax relief; and promoting Nebraska both nationally and internationally.

This has led us to back-to-back awards for the most economic development projects per capita of any state in the nation.

In our work this year, it is important to remember that even as the state is employing record numbers of Nebraskans, our number one industry, agriculture, is grappling with low commodity prices. Since 2013, farm income in Nebraska has been cut by over 60 percent. Think about that for a

moment: When a family's income falls by over half, you are forced to make tough decisions that have a significant impact on your way of life. During this session and throughout the year, we must work to expand opportunities for our farm and ranch families.

We are doing that in the area of value-added agriculture, so more families can bring the next generation home to the family farm. Last year, we welcomed six new counties into the state's Livestock Friendly County program for a total of 49.

Layering livestock into the family operation is a game-changer for many families. Take for example the Schulz family of Seward County. Three generations of Schulzes have joined us today under the north balcony. They recently received approval to build a barn to raise chickens for Costco. Their new poultry operation will allow Joe, the third generation and a recent University of Nebraska graduate, to return to the family farm. Please help me welcome and congratulate Joe and the Schulz family.

As I worked on this two-year budget, I had one thing in mind: the people of Nebraska. We have a responsibility to the people we care for and the people who pay the bills, the taxpayers. Let's put Nebraskans first as we work on this budget.

In all my budgets, I have worked to keep the rate of growth at about 3 percent or less. The budget I am presenting to you today is no different, and keeps the rate of spending growth to 3.1 percent. A significant portion of this spending increase is attributable to Medicaid expansion and state aid to public schools. In my budget, state agencies continue to control spending growth with an average two-year operations increase of just 2.3 percent.

Even while controlling spending, we have prioritized new initiatives to help grow Nebraska, recognize the dignity of human life, and protect public safety.

With this budget, we can do more to help grow Nebraska in three ways.

First, we are doing more to help Nebraskans take great-paying jobs. Job creators across the state name workforce as a top priority. We have a low unemployment rate, a high labor force participation rate, and lots of great jobs.

With the right opportunities, the next generation of Nebraskans can find a pathway that gives them the career they need to stay in Nebraska and enjoy the Good Life. Take for example the story of Chris Nightser. Chris started high school with industrial arts classes. After graduation, he took a job in a fabrication shop, which then led to a career with Miller Electric starting as an apprentice. He has earned his Associate's Degree, Bachelor's Degree, and Master's in Business Administration while working thanks to tuition reimbursement programs and scholarships. This gave him over \$100,000

worth of education with relatively little debt. Today, he is the Pre-Fabrications Operations Manager at Miller Electric.

Chris' story is important because he was exposed to opportunities in this field at an early age, and he was able to take advantage of them because of an apprenticeship, scholarships, and tuition reimbursement. Please help me welcome Chris, who is in the north balcony.

To help more Nebraskans like Chris find great careers, I am making two new proposals. As previously announced, I am recommending the creation of the Nebraska Talent Scholarships program to help our community colleges, state colleges, and the university system attract even more students in targeted programs from engineering to healthcare with over 2,100 new scholarships.

Additionally, I am recommending the expansion of the Developing Youth Talent Initiative to connect more middle school students to opportunities in manufacturing and IT with an additional \$1.25 million annually. This program has already impacted 7,000 students, and this expansion will help reach even more.

Working together to create more pathways, we can help connect more Nebraskans with the countless great opportunities available in communities statewide.

Second, my budget also takes new steps to make state government more effective, more efficient, and more customer-focused. Over the past two years, we have worked together to successfully create a Department of Transportation and a unified veterans' agency. This year, Senator Hughes and I are proposing to bring together the Department of Environmental Quality and the Energy Office. Creating a Department of Environment and Energy that will allow the state to form a more unified vision and strategic plan for our work in these related areas.

Senator Lowe and I are also recommending moving three key safety inspection programs from the Department of Labor to the State Fire Marshal's Office to better align with its purpose of protecting public safety.

The third priority we are working on in this budget is tax relief. Thanks to our work on controlling spending over the last few years, we have been able to build new tax relief into this budget.

Property tax relief is the number one priority Nebraskans want as I travel the state. And many of you have shared similar stories with me from your districts.

I have three property tax relief proposals.

First, my budget provides \$51 million in new, direct property tax relief

through the Property Tax Credit Relief Fund each year. This is a 23 percent increase in property tax relief from this fund to all Nebraska property owners.

Second, Senator Lindstrom and I are recommending that we establish a statutory floor of \$275 million for the Property Tax Credit Relief Fund. This will give taxpayers more certainty about future relief.

Third, Senator Linehan and I are proposing to establish a three percent cap on property taxes levied by local governments. Over the past decade, local property taxes have risen over 57 percent. To deliver long-term, structural relief, it is important that we limit the growth of property taxes. Our proposal comes in the form of a constitutional amendment, which must be approved by the people after receiving your consideration.

These proposals, together, will help deliver immediate relief and structural reform.

Furthermore, I stand ready to work with all of you on additional property tax relief proposals, such as Senator Erdman's income potential valuation bill, which would help deliver much-needed reform to our property tax system. I know there will be many proposals introduced this year. As we work on property tax relief, any proposal should help control spending, fit in the budget, and cannot raise taxes on one group of people to reduce taxes on another group.

My last proposal in the area of tax policy delivers relief for Nebraska's veterans. Thank you to Senators Brewer, Blood, Bostelman, Clements, Crawford, Gragert, Linehan, and Lowe for your work on this initiative to help make Nebraska a better place to retire as a veteran. Our proposal is a 50 percent tax cut for all veterans receiving military retirement benefits. Five of our six surrounding states do not tax veterans' retirement benefits. This proposal is a step forward, which makes Nebraska more tax competitive, so we can keep more of our veterans and their families here after retirement.

Numerous veterans and representatives from the Nebraska National Guard have joined us here today and are sitting in the north balcony. Please help me recognize them!

Another important area that will be addressed this session is incentives. You all have already started an important conversation about the future of Nebraska Advantage and what the state's tax incentives should look like. Across the nation, incentives are an important tool for attracting new investments and jobs. As you work to reform incentives, I encourage you to keep in mind these goals. Nebraskans want tax policy that is simple; transparent; accountable; and attracts higher-paying jobs.

Finally, there are a few more items that I want to highlight in my budget.

My budget implements Initiative 427, fully funds state aid to K-12 public schools, recognizes the dignity of human life, and protects the public safety.

In November, voters approved Medicaid expansion, and my budget recommendation reflects the vote of the people of Nebraska. Right now, the Medicaid team is working to fulfill the direction of the initiative to file a state plan with the federal government by April 1st.

My budget provides new aid to K-12 public schools by fully funding the \$103.8 million TEEOSA increase. This means the formula will provide a record \$1.1 billion in annual school aid.

As I have noted before, Nebraska is a pro-life state.

My budget contains the pro-life budget language approved by the body last year. Furthermore, I want to commend Senator Albrecht for her continued work to protect the dignity of unborn life. I look forward to working with all of you this session as we represent pro-life Nebraska, and look for new ways to support expecting mothers and our unborn children.

We must also continue to protect public safety and Nebraska's communities. Each year, we have collaborated to bring about important change in our Corrections system. Together, we have completed sentencing reforms for non-violent offenders. We have invested in our prisons, and are upgrading the physical plant of our facilities to help deliver the programming we need to reduce the recidivism rate. We are assessing inmates more quickly to connect them to the right programming. And we have invested in additional staff and staff retention initiatives.

As you know, there is more work to be done. While the sentencing reforms helped to control population growth in our prisons, new felony admissions mean our population has not decreased at the rate expected. My budget recommends an additional 384 high security beds, which will help assist in bringing our prison population below the emergency level set by the Legislature.

I look forward to working with Chairman Stinner, the Appropriations Committee, and the entire body to pass this budget.

As we work together this session, many challenges and opportunities lie ahead. Let's roll up our sleeves to connect Nebraskans to great jobs, to control spending, to make government more effective, to deliver tax relief for our veterans, and to cut property taxes.

This session and this budget present an opportunity to put the priorities of the taxpayers and people of Nebraska first.

I ask for your help in enacting this vision to grow Nebraska.

God bless you all 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 293. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to amend Laws 2018, LB944, sections 27, 43, 53, 66, and 109; and section 48-1,116, Revised Statutes Cumulative Supplement, 2018; to define terms; to provide, change, and eliminate appropriations for operation of state government; to repeal the original sections; and to declare an emergency.

LEGISLATIVE BILL 294. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to state intent; to define terms; to make appropriations for the expenses of Nebraska State Government for the biennium ending June 30, 2021; to transfer funds; to provide duties; to provide an operative date; and to declare an emergency.

LEGISLATIVE BILL 295. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to appropriate funds for the payment of salaries of members of the Nebraska Legislature and payments to be made as provided by Chapter 68, article 6, for FY2019-20 and FY2020-21; to provide an operative date; and to declare an emergency.

LEGISLATIVE BILL 296. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to appropriate funds for the payment of the salaries and benefits of certain state officers for FY2019-20 and FY2020-21; to define terms; to provide an operative date; and to declare an emergency.

LEGISLATIVE BILL 297. Introduced by Speaker Scheer, 19; at the request of the Governor.

A BILL FOR AN ACT relating to appropriations; to define terms; to appropriate funds for capital construction and property acquisition as prescribed; to state intent; to require program statements and a request for funding; to provide an operative date; and to declare an emergency.