

**ONE HUNDREDTH LEGISLATURE - SECOND SESSION -
2008**

COMMITTEE STATEMENT

LR229CA

Hearing Date: January 29, 2008

Committee On: Urban Affairs

Introducer(s): (McDonald)

Title: Constitutional amendment to change the powers of municipalities relating to fund sources for economic or industrial development

Roll Call Vote - Final Committee Action:

Placed on General File

Vote Results:

7 Yes	Senators Cornett, Friend, Janssen, Lathrop, McGill, Rogert, White
0 No	
0 Absent	
0 Present, not voting	

Proponents:

Senator Vickie McDonald
Gary Krumland
Michael Nolan

Representing:

Introducer
League of NE Municipalities
City of Norfolk

Opponents:

None

Representing:

Neutral:

None

Representing:

Summary of purpose and/or change: This resolution proposes a constitutional amendment to Article XIII, Section 2 of the Nebraska Constitution to remove certain restrictions on the available sources of funds to be used for economic or industrial development projects by municipalities.

It would be applicable to any city or village proposing to conduct an economic or industrial development project through the exercise of the authority granted by this resolution.

This resolution proposes to amend the portion of Article XIII, Section 2 which was added to the Constitution in 1990 with the passage by the voters of Amendment 3 (LR 11CA which was adopted by the Legislature in April of that year). Sponsored by Sen. Sandra Scofield (at the request of the League of Municipalities) that resolution was intended to address the prohibition on the use of public funds for general economic development (other than “publicity campaigns”) which arose from the ruling of the Nebraska Supreme Court in Chase v. County of Douglas, 195 Neb. 838, 1976.

The amendment proposed in LR 229CA would, if adopted, return the constitutional provision to the form in which it was originally introduced by Sen. Scofield in 1989. The portion being deleted by this amendment is the Hartnett amendment to the original proposal (adopted on March 27, 1990) which was a compromise proposal intended to alleviate some concerns about the possibility of abuse of the program through the use by municipalities of fees and charges on targeted economic sectors to enhance the revenue available for economic development.

The amendment in this resolution would remove from the existing constitutional provision all references to “local sources of revenue”. Under current law, the only funds which may be used for an economic or industrial development projects authorized by this section are funds derived “from local sources of revenue” which are defined in the amendment as “funds raised from general taxes levied by the city or village” (which are further defined in the Local Option Municipal Economic Development Act (LB 840), section 18-2708 as “the city's property tax or the city's local option sales tax.”).

Further, there is an express prohibition on the use of funds derived from state or federal sources (since they are expressly removed from the definition of local sources of revenue).

The amendment removes these prohibitions. After its passage, the legislature could amend the Local Option Municipal Economic Development Act to authorize the use of any revenue from any source for a project under the act developed and authorized by the local voters, including the use of revenue from occupation taxes or revenue from utility charges.

Explanation of amendments, if any: None

Senator Mike Friend, Chairperson