

LEGISLATURE OF NEBRASKA  
ONE HUNDRED EIGHTH LEGISLATURE  
FIRST SPECIAL SESSION

**LEGISLATIVE BILL 68**

Introduced by Wayne, 13.

Read first time July 29, 2024

Committee: Revenue

1 A BILL FOR AN ACT relating to law; to amend sections 13-518, 13-522, and  
2 66-6,109.02, Reissue Revised Statutes of Nebraska, and section  
3 66-489.02, Revised Statutes Cumulative Supplement, 2022; to adopt  
4 the Aid to Municipalities Act; to create a fund; to change  
5 provisions relating to certain taxes imposed on the average  
6 wholesale price of gasoline; to provide for the use of certain tax  
7 proceeds; to harmonize provisions; to provide a duty for the Revisor  
8 of Statutes; to provide an operative date; and to repeal the  
9 original sections.  
10 Be it enacted by the people of the State of Nebraska,

1           Section 1. Sections 1 to 7 of this act shall be known and may be  
2 cited as the Aid to Municipalities Act.

3           Sec. 2. The purpose of the Aid to Municipalities Act is to provide  
4 state aid to municipalities in the form of grants which may be used to  
5 pay for infrastructure projects within the municipalities.

6           Sec. 3. For purposes of the Aid to Municipalities Act:

7           (1) Department means the Department of Economic Development;

8           (2) Infrastructure project means any of the following projects, or  
9 any combination thereof, to be owned or operated by a municipality: Solid  
10 waste management facilities; wastewater, storm water, and water treatment  
11 works and systems, water distribution facilities, and water resources  
12 projects, including, but not limited to, pumping stations, transmission  
13 lines, and mains and their appurtenances; hazardous waste disposal  
14 systems; resource recovery systems; airports; port facilities; buildings  
15 and capital equipment used in the operations and activities of municipal  
16 government and to provide services to the residents of the municipality;  
17 convention and tourism facilities; redevelopment projects as defined in  
18 section 18-2103; and mass transit and other transportation systems,  
19 including parking facilities and excluding public highways and bridges  
20 and municipal roads, streets, and bridges; and

21           (3) Municipality means any city or village in this state.

22           Sec. 4. (1) A municipality may apply for a grant under the Aid to  
23 Municipalities Act by submitting an application to the department on a  
24 form prescribed by the department. The application shall include:

25           (a) The amount of grant funds requested; and

26           (b) A description of the infrastructure projects to be funded by the  
27 grant.

28           (2) The department shall consider applications in the order in which  
29 they are received and may approve applications within the limits of  
30 available appropriations, except that in no case shall any grant exceed  
31 ten million dollars.

1       (3) A municipality receiving a grant under this section shall use  
2 the grant funds exclusively to:

3       (a) Pay for the construction, acquisition, or equipping of  
4 infrastructure projects or portions thereof; or

5       (b) Pay principal, interest, premium, and costs of issuance on bonds  
6 issued by the municipality to finance the construction, acquisition, or  
7 equipping of infrastructure projects or portions thereof.

8       (4) Grant funds received under this section shall be placed in a  
9 separate fund and shall not be commingled with other money of the  
10 municipality.

11       Sec. 5. The Aid to Municipalities Fund is created. The department  
12 shall administer the fund. The fund shall consist of money credited  
13 pursuant to sections 66-489.02 and 66-6,109.02, money transferred by the  
14 Legislature, and gifts, grants, or bequests from any source, including  
15 federal, state, public, and private sources. The fund may be used make  
16 grants under the Aid to Municipalities Act and to defray the  
17 administrative expenses incurred by the department in carrying out the  
18 act. Any money in the fund available for investment shall be invested by  
19 the state investment officer pursuant to the Nebraska Capital Expansion  
20 Act and the Nebraska State Funds Investment Act.

21       Sec. 6. It is the intent of the Legislature to appropriate XX  
22 dollars each fiscal year for purposes of carrying out the Aid to  
23 Municipalities Act.

24       Sec. 7. The department may adopt and promulgate rules and  
25 regulations to carry out the Aid to Municipalities Act.

26       Sec. 8. Section 13-518, Reissue Revised Statutes of Nebraska, is  
27 amended to read:

28       13-518 For purposes of sections 13-518 to 13-522:

29       (1) Allowable growth means (a) for governmental units other than  
30 community colleges, the percentage increase in taxable valuation in  
31 excess of the base limitation established under section 77-3446, if any,

1 due to improvements to real property as a result of new construction,  
2 additions to existing buildings, any improvements to real property which  
3 increase the value of such property, and any increase in valuation due to  
4 annexation and any personal property valuation over the prior year and  
5 (b) for community colleges, the percentage increase in excess of the base  
6 limitation, if any, in full-time equivalent students from the second year  
7 to the first year preceding the year for which the budget is being  
8 determined;

9 (2) Capital improvements means (a) acquisition of real property or  
10 (b) acquisition, construction, or extension of any improvements on real  
11 property;

12 (3) Governing body has the same meaning as in section 13-503;

13 (4) Governmental unit means every political subdivision which has  
14 authority to levy a property tax or authority to request levy authority  
15 under section 77-3443 except sanitary and improvement districts which  
16 have been in existence for five years or less and school districts;

17 (5) Qualified sinking fund means a fund or funds maintained  
18 separately from the general fund to pay for acquisition or replacement of  
19 tangible personal property with a useful life of five years or more which  
20 is to be undertaken in the future but is to be paid for in part or in  
21 total in advance using periodic payments into the fund. The term includes  
22 sinking funds under subdivision (13) of section 35-508 for firefighting  
23 and rescue equipment or apparatus;

24 (6) Restricted funds means (a) property tax, excluding any amounts  
25 refunded to taxpayers, (b) payments in lieu of property taxes, (c) local  
26 option sales taxes, (d) motor vehicle taxes, (e) state aid, (f) transfers  
27 of surpluses from any user fee, permit fee, or regulatory fee if the fee  
28 surplus is transferred to fund a service or function not directly related  
29 to the fee and the costs of the activity funded from the fee, (g) any  
30 funds excluded from restricted funds for the prior year because they were  
31 budgeted for capital improvements but which were not spent and are not

1 expected to be spent for capital improvements, (h) the tax provided in  
2 sections 77-27,223 to 77-27,227 beginning in the second fiscal year in  
3 which the county will receive a full year of receipts, and (i) any excess  
4 tax collections returned to the county under section 77-1776. Funds  
5 received pursuant to the nameplate capacity tax levied under section  
6 77-6203 for the first five years after a renewable energy generation  
7 facility has been commissioned are nonrestricted funds; and

8 (7) State aid means:

9 (a) For all governmental units, state aid paid pursuant to sections  
10 60-3,202 and 77-3523 and reimbursement provided pursuant to section  
11 77-1239;

12 (b) For municipalities, state aid to municipalities paid pursuant to  
13 the Aid to Municipalities Act and sections 39-2501 to 39-2520, 60-3,190,  
14 and 77-27,139.04 and insurance premium tax paid to municipalities;

15 (c) For counties, state aid to counties paid pursuant to sections  
16 60-3,184 to 60-3,190, insurance premium tax paid to counties, and  
17 reimbursements to counties from funds appropriated pursuant to section  
18 29-3933;

19 (d) For community colleges, state aid to community colleges paid  
20 pursuant to the Community College Aid Act;

21 (e) For educational service units, state aid appropriated under  
22 sections 79-1241.01 and 79-1241.03; and

23 (f) For local public health departments as defined in section  
24 71-1626, state aid as distributed under section 71-1628.08.

25 Sec. 9. Section 13-522, Reissue Revised Statutes of Nebraska, is  
26 amended to read:

27 13-522 The Auditor of Public Accounts shall prepare budget documents  
28 to be submitted by governmental units which calculate the restricted  
29 funds authority for each governmental unit. Each governmental unit shall  
30 submit its calculated restricted funds authority with its budget  
31 documents at the time the budgets are due to the Auditor of Public

1 Accounts. If the Auditor of Public Accounts determines from the budget  
2 documents that a governmental unit is not complying with the budget  
3 limits provided in sections 13-518 to 13-522, he or she shall notify the  
4 governing body of his or her determination and notify the State Treasurer  
5 and the Department of Economic Development of the noncompliance. The  
6 State Treasurer and the department shall then suspend distribution of  
7 state aid allocated to the governmental unit until such sections are  
8 complied with. The funds shall be held for six months until the  
9 governmental unit complies, and if the governmental unit complies within  
10 the six-month period, it shall receive the suspended funds, but after six  
11 months, if the governmental unit fails to comply, the suspended funds  
12 shall be forfeited and shall be redistributed to other recipients of the  
13 state aid or, in the case of homestead exemption reimbursement, returned  
14 to the General Fund.

15 Sec. 10. Section 66-489.02, Revised Statutes Cumulative Supplement,  
16 2022, is amended to read:

17 66-489.02 (1) For tax periods beginning on and after July 1, 2009,  
18 at the time of filing the return required by section 66-488, the  
19 producer, supplier, distributor, wholesaler, or importer shall, in  
20 addition to the other taxes provided for by law, pay a tax at the rate of  
21 five percent of the average wholesale price of gasoline for the gallons  
22 of the motor fuels as shown by the return, except that there shall be no  
23 tax on the motor fuels reported if they are otherwise exempted by  
24 sections 66-482 to 66-4,149.

25 (2) The minimum average wholesale price of gasoline to be used to  
26 calculate the tax under subsection (1) of this section for tax periods  
27 beginning on and after January 1, 2025, shall be two dollars and seventy-  
28 five cents. The department shall calculate the average wholesale price of  
29 gasoline ~~on April 1, 2009, and~~ on each April 1 and October 1 thereafter.  
30 The average wholesale price on April 1 shall apply to returns for the tax  
31 periods beginning on and after July 1, and the average wholesale price on

1 October 1 shall apply to returns for the tax periods beginning on and  
2 after January 1. The average wholesale price shall be determined using  
3 data available from the Department of Environment and Energy and shall be  
4 an average wholesale price per gallon of gasoline sold in the state over  
5 the previous six-month period, excluding any state or federal excise tax  
6 or environmental fees, except that in no case shall the average wholesale  
7 price of gasoline be less than the minimum amount required under this  
8 subsection. The change in the average wholesale price between two six-  
9 month periods shall be adjusted so that the increase or decrease in the  
10 tax provided for in this section or section 66-6,109.02 does not exceed  
11 one cent per gallon.

12 (3) Twenty-five percent of all ~~All~~ sums of money received under this  
13 section shall be credited to the Aid to Municipalities Fund and the  
14 remaining seventy-five percent to the Highway Trust Fund. Credits and  
15 refunds of such tax allowed to producers, suppliers, distributors,  
16 wholesalers, or importers shall be paid from the Highway Trust Fund. The  
17 balance of the amount credited to the Highway Trust Fund, after credits  
18 and refunds, shall be allocated as follows:

19 (a) Sixty-six percent to the Highway Cash Fund for the Department of  
20 Transportation. The department shall use at least thirty-five percent of  
21 the amount allocated under this subdivision to pay for surface  
22 transportation projects, as defined in section 39-2702, of the highest  
23 priority as determined by the department;

24 (b) Seventeen percent to the Highway Allocation Fund for allocation  
25 to the various counties for road purposes; and

26 (c) Seventeen percent to the Highway Allocation Fund for allocation  
27 to the various municipalities for street purposes.

28 Sec. 11. Section 66-6,109.02, Reissue Revised Statutes of Nebraska,  
29 is amended to read:

30 66-6,109.02 (1) For tax periods beginning on and after July 1, 2009,  
31 at the time of filing the return required by section 66-6,110, the

1 retailer shall, in addition to the other taxes provided for by law, pay a  
2 tax at the rate of five percent of the average wholesale price of  
3 gasoline calculated pursuant to section 66-489.02 for the gallons of the  
4 compressed fuel as shown by the return, except that there shall be no tax  
5 on the compressed fuel reported if it is otherwise exempted by the  
6 Compressed Fuel Tax Act.

7 (2) Twenty-five percent of all ~~All~~ sums of money received under this  
8 section shall be credited to the Aid to Municipalities Fund and the  
9 remaining seventy-five percent to the Highway Trust Fund. Credits and  
10 refunds of such tax allowed to producers, suppliers, distributors,  
11 wholesalers, or importers shall be paid from the Highway Trust Fund. The  
12 balance of the amount credited to the Highway Trust Fund, after credits  
13 and refunds, shall be allocated as follows:

14 (a) Sixty-six percent to the Highway Cash Fund for the Department of  
15 Transportation. The department shall use at least thirty-five percent of  
16 the amount allocated under this subdivision to pay for surface  
17 transportation projects, as defined in section 39-2702, of the highest  
18 priority as determined by the department;

19 (b) Seventeen percent to the Highway Allocation Fund for allocation  
20 to the various counties for road purposes; and

21 (c) Seventeen percent to the Highway Allocation Fund for allocation  
22 to the various municipalities for street purposes.

23 Sec. 12. The Revisor of Statutes shall assign sections 1 to 7 of  
24 this act to a new article in Chapter 18.

25 Sec. 13. This act becomes operative on January 1, 2025.

26 Sec. 14. Original sections 13-518, 13-522, and 66-6,109.02, Reissue  
27 Revised Statutes of Nebraska, and section 66-489.02, Revised Statutes  
28 Cumulative Supplement, 2022, are repealed.