

ONE HUNDRED FIFTH LEGISLATURE

FIRST SESSION

**LEGISLATIVE RESOLUTION 210**

Introduced by Stinner, 48.

PURPOSE: The purpose of this resolution is to study fiscal distress among local political subdivisions in Nebraska and how the Legislature could establish an early warning system to identify and respond to such fiscal distress.

A number of significant fiscal events at the local level in recent years highlight the risk that is posed by fiscal distress among local political subdivisions. The exoneration of the "Beatrice Six" in 2009 led to a \$28 million judgement against Gage County. The 2016 announcement that Cabela's, a large employer in Sidney, would be merged with Bass Pro Shops, implicated mass layoffs and uncertainty about the financial future of Cheyenne County. The City of Ralston has faced a series of financial crises after a successful 2011 ballot initiative to build an arena.

Significant fiscal risk has also been imposed on Nebraska's local economy since the 2008 recession, due to cyclical downturns in the agricultural economy. Additionally, out-migration trends over the last several years have threatened the stability of local political subdivisions' tax revenues.

Fiscal distress in one local government can have a negative impact on the fiscal health of other localities, the region, and the State of Nebraska. A fiscal distress early warning system could help the state identify and respond to fiscal distress among local political subdivisions earlier, help local governments avoid more severe fiscal crises, and protect the long-term fiscal health and strong credit rating of such localities and the State of Nebraska.

This study shall focus on the issue of fiscal distress among local political subdivisions, along with how the Legislature could establish a system to identify and respond to fiscal distress among local political subdivisions.

The study committee shall:

- (1) Analyze the potential negative impact of fiscal distress in one local government on other local governments and on the State of Nebraska;
- (2) Review the options currently available for responding to fiscal distress among local political subdivisions in Nebraska;
- (3) Review how other states identify and respond to fiscal distress among local political subdivisions;
- (4) Assess the feasibility and costs of establishing an early warning system for fiscal distress among local political subdivisions, including an examination of the information already being collected by various state agencies that could be used to detect such fiscal distress; and
- (5) Consider any other issues the study committee deems relevant.

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE ONE HUNDRED FIFTH LEGISLATURE OF NEBRASKA, FIRST SESSION:

1. That the Appropriations Committee of the Legislature shall be designated to conduct an interim study to carry out the purposes of this resolution.
2. That the committee shall upon the conclusion of its study and no later than December 31, 2017, make a report of its findings, together with its recommendations, to the Legislative Council or Legislature.