

LEGISLATURE OF NEBRASKA
ONE HUNDRED NINTH LEGISLATURE
FIRST SESSION

LEGISLATIVE BILL 291

Introduced by Urban Affairs Committee: McKinney, 11, Chairperson;
Cavanaugh, J., 9; Clouse, 37; Quick, 35; Rountree, 3;
Sorrentino, 39.

Read first time January 15, 2025

Committee:

- 1 A BILL FOR AN ACT relating to municipalities; to amend section 13-522,
- 2 Reissue Revised Statutes of Nebraska, and section 13-518, Revised
- 3 Statutes Cumulative Supplement, 2024; to adopt the Aid to
- 4 Municipalities Act; to create a fund; to change provisions relating
- 5 to budget limitations; to provide a duty for the Revisor of
- 6 Statutes; and to repeal the original sections.
- 7 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 five 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 the principal, interest, premium, and costs of issuance on
6 bonds issued by the municipality to finance the construction,
7 acquisition, or 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 fund shall
12 be used by the department to make grants under the Aid to Municipalities
13 Act and to defray the administrative expenses incurred by the department
14 in carrying out the act. Any money in the fund available for investment
15 shall be invested by the state investment officer pursuant to the
16 Nebraska Capital Expansion Act and the Nebraska State Funds Investment
17 Act.

18 **Sec. 6.** It is the intent of the Legislature to appropriate fifteen
19 million dollars each fiscal year for purposes of carrying out the Aid to
20 Municipalities Act.

21 **Sec. 7.** The department may adopt and promulgate rules and
22 regulations to carry out the Aid to Municipalities Act.

23 **Sec. 8.** Section 13-518, Revised Statutes Cumulative Supplement,
24 2024, is amended to read:

25 13-518 For purposes of sections 13-518 to 13-522:

26 (1) Allowable growth means (a) for governmental units other than
27 community colleges, the percentage increase in taxable valuation in
28 excess of the base limitation established under section 77-3446, if any,
29 due to improvements to real property as a result of new construction,
30 additions to existing buildings, any improvements to real property which
31 increase the value of such property, and any increase in valuation due to

1 annexation and any personal property valuation over the prior year and
2 (b) for community colleges, the percentage increase in excess of the base
3 limitation, if any, in full-time equivalent students from the second year
4 to the first year preceding the year for which the budget is being
5 determined;

6 (2) Capital improvements means (a) acquisition of real property or
7 (b) acquisition, construction, or extension of any improvements on real
8 property;

9 (3) Governing body has the same meaning as in section 13-503, except
10 that for fiscal years beginning on or after July 1, 2025, such term shall
11 not include the governing body of any county, city, or village;

12 (4) Governmental unit means every political subdivision which has
13 authority to levy a property tax or authority to request levy authority
14 under section 77-3443, except that such term shall not include (a)
15 sanitary and improvement districts which have been in existence for five
16 years or less, (b) school districts, or (c) for fiscal years beginning on
17 or after July 1, 2025, counties, cities, or villages;

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

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

1 budgeted for capital improvements but which were not spent and are not
2 expected to be spent for capital improvements, (h) the tax provided in
3 sections 77-27,223 to 77-27,227 beginning in the second fiscal year in
4 which the county will receive a full year of receipts, and (i) any excess
5 tax collections returned to the county under section 77-1776. Funds
6 received pursuant to the nameplate capacity tax levied under section
7 77-6203 for the first five years after a renewable energy generation
8 facility has been commissioned are nonrestricted funds; and

9 (7) State aid means:

10 (a) For all governmental units, state aid paid pursuant to sections
11 60-3,202 and 77-3523 and reimbursement provided pursuant to section
12 77-1239;

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

16 (c) For counties, state aid to counties paid pursuant to sections
17 60-3,184 to 60-3,190, insurance premium tax paid to counties, and
18 reimbursements to counties from funds appropriated pursuant to section
19 29-3933;

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

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

24 (f) For local public health departments as defined in section
25 71-1626, state aid as distributed under section 71-1628.08.

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

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

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

18 **Sec. 10.** The Revisor of Statutes shall assign sections 1 to 7 of
19 this act to a new article in Chapter 18.

20 **Sec. 11.** Original section 13-522, Reissue Revised Statutes of
21 Nebraska, and section 13-518, Revised Statutes Cumulative Supplement,
22 2024, are repealed.