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LB 425

on, we actually expanded the capacity for cities with a local option sales tax to reap a windfall. If you have 1.5 percent on a basket of goods that has increased, you actually have increased capacity for revenue growth at the city level and, in fact, it was predicted in 2004, because it was a partial year after our action, that that fiscal impact would be a plus \$6,930,000. In fiscal year 2005, it was predicted to be \$11,995,000, and in 2006, they expect in excess of \$12,534,000. That is the impact of the actions of our passage of LB 759,...

SENATOR CUDABACK: One minute.

SENATOR REDFIELD: ...which was a tax increase. When you look at the impact of the budget turndown on local cities, you recognize that they have one of the most stable tax bases that we can provide. That's property taxes. Property taxes did not go down, and their cities and schools could count on those funds. Sales taxes also held very stable throughout the budget downturn. They didn't grow as fast as cities had predicted, but they, in fact, did not turn negative. The opposite occurred here at the state level, where we are heavily reliant on the income tax stream. With the impact on capital gains and dividends, we saw, in fact, a negative downturn in our funding here at the state level, and that did not enable us to send state aid back to the cities and these entities that, in fact, were not suffering to the same degree.

SENATOR CUDABACK: Now, we're now on your time, Senator Redfield.

SENATOR REDFIELD: Thank you.

SENATOR CUDABACK: You may continue.

SENATOR REDFIELD: Thank you, Senator Cudaback. So while they suffered by not having the growth they had expected, they still had more stability in their budgeting process. The state had obligations, not only for aid to schools, but the universities, the Medicaid increases and, in fact, a number of other increases on our resources because of the downturn and the heavy demand from our citizenry as they lost jobs and saw other impacts. We