

THE EXECUTIVE

THE STATE CHAMBER 

Nebraska Chamber of Commerce & Industry

October/November 2006

Fall Legislative Forums Report

Over 1,200 persons attended the 33 Legislative Fall Forums held in September and October, with 19 returning State Senators and all candidates for the 21 open legislative seats participating in the annual State Chamber event. Nebraska's tax climate was the main focus of the presentations.

The good news is that Forbes Magazine listed Nebraska as one of the top 10 states for business, with the state ranked well in costs of labor, energy, regulatory environment and quality of life. The bad news is that the tax structure still keeps many businesses at bay. Taxes have an impact on wages and the end cost of products and services, and have an effect on Nebraska's ability to attract growth. Nebraska ranks 14th highest based on state and local tax burdens per capita, higher than neighboring states. In state sales tax, Nebraska is again the highest with 5.5, compared to Kansas at 5.3 and Colorado at 2.9.

Although last year's session brought nominal adjustments in the income tax, the State Chamber is working on four bills that should be introduced in 2007 to address tax issues. These include

lower individual income taxes to pre-2003 level, adjust corporate income tax, repeal estate taxes, and repeal several business-to-business sales tax on services, such as taxes on computer software.

There will be other issues facing the Unicameral, including a new budget, workers' compensation

reform measures, minimum wage, as well as adjusting to many new members and new leaders. An important part of this year's Forums was the opportunity for business people to meet the candidates for the 21 open legislative seats. ■



Barry Kennedy addressed some 120 participants at the Lincoln Forum (left), while Senator Pat Engel made a point at the South Sioux City Forum (right).

Pandemic Planning

Most experts agree that there is a growing and significant threat of a global pandemic, but that there is no way to predict either exactly when it might occur or the severity of the impact. As with any of the risks that we face as a country — including natural disasters and the ongoing possibility of another terrorist attack — it is imperative that all segments of society be prepared for such a threat. The U.S. Chamber of Commerce is therefore encouraging preparedness for an influenza pandemic within the business community.

In addition to the threat that a pandemic could pose to human health worldwide, few industries will be insulated from the economic effects resulting from absenteeism in the workplace or from the downstream effects stemming from supply-chain and travel disruption.

It is important for business owners and leaders to be knowledgeable about the risks associated with the threat of an influenza pandemic and, in turn, to be

(Continued on page 4)

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State Chamber Views...

**Guest Editorial by John Cederberg
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"Initiative 423"

The Stop Overspending Amendment To Nebraska's Constitution

The Board of Directors of the Nebraska Chamber of Commerce & Industry voted at their meeting on September 8 to oppose Initiative 423, popularly referred to as the Stop Overspending in Nebraska constitutional amendment.

Before getting into why the Board voted to oppose Initiative 423, I believe that it is very important to understand what the Board's action was not.

The Board did not endorse unlimited spending. The Board is very concerned about the tax climate in Nebraska, and the Board believes that both state and local governments must be vigilant to restrain both taxes and spending. Combined state and local expenditures per capita tend to be about in the middle of the states. According to the Census Bureau's survey for 2004, Nebraska is 26th among the states and the District of Columbia. However, Nebraska ranked 15th in state and local tax collections per capita, probably because Nebraskans pay a larger than average share of their own public support in taxes. Nebraska also suffers in the economic development area by poor rankings of its "business tax climate." Diversification of our economy beyond production agriculture is one of Nebraska's highest priorities, and an adverse state tax climate hinders that effort. Accordingly, budgeting and tax policy are very important issues to the Board.

The Board did not oppose spending targets and limitations. The State has restrictions and limitations in place now. The ones that come first to mind are property tax levy limitations on school districts and local subdivisions, and limitations on the local sales tax rates which can be levied by cities. Both the Governor and the Legislature's Appropriations Committee

establish maximum state spending targets, within which they then develop their state budget recommendations. These targets receive a great deal of publicity, and the Senators receive a great deal of public input on them. However, if well crafted, more formal legislation on spending is appropriate; the State Chamber will be a proactive participant in crafting that legislation.

The Board voted to oppose Initiative 423 for three principal reasons.

Spending limits are complex legislation that has no place in the constitution. If Nebraska needs a more formal vehicle to establish spending limitations, that legislation should go through the legislative process where it would be the subject of a public hearing and three rounds of debate by the Senators, where experienced Nebraska constitutional lawyers and budgeting experts would have the opportunity to study the language, raise questions, and work with the Senators to make corrections, and with future Legislatures having the authority to deal legislatively with the inevitable technical corrections and unintended consequences. Initiative 423 has not been tested by the legislative process, and reviewers raise many questions about language in the Initiative that is not consistent with other Nebraska laws or the Nebraska constitution. Once in the constitution, it will be nearly impossible to correct or adjust to fit reality as it evolves.

Initiative 423 targets the wrong level of government. Initiative 423 would apply only to state spending, not to local subdivisions. State taxes and spending are not out of line with other states. According to the Census Bureau's 2004 survey, state revenues per capita were 39th and were 87.7% of the national average. State expenditures were 41st and were 83.1% of the

national average. Local taxes and spending raise Nebraska's total tax and spending rankings into the top half of states. Local spending is also what makes property taxes such a burden in Nebraska. The Board believes that Initiative 423 would ultimately have two bad effects. First, Initiative 423 would ultimately result in shifting at least some of the tax burden from state sales and income taxes to local property taxes, contrary to our long standing effort to reduce the burden of property taxes. Second, Initiative 423 would also shift some of the support of public functions from taxes to fees, and particularly to tuition at our University and state colleges. The Board believes that spending restraint should not result in more property tax or higher fees and tuition.

The consumer price index is the wrong measure of government spending. The consumer price index measures a basket of products and services purchased by the average urban consumer. Education is 6.04% of the basket, and health care is 6.22%. By contrast, 47% of the state of Nebraska budget is devoted to education. Medicaid alone is 16% of the state budget, and much of the Health and Human Services budget is really health care. The state also spends a great deal on employee health insurance. The consumer price index for the Midwestern states has increased at 2.88% compounded annually over the last 22 years. By comparison, the index of health care costs has increased by 5.38% compounded annually for the same period, nearly twice the consumer price index. Inflation in the cost of education at all levels has similarly exceeded the consumer price index. The consumer price index is not a realistic measure of government spending, and Nebraska should not insert such a flawed formula into the constitution.

In summary, the Board voted unanimously to oppose Initiative 423, not because limiting spending is a bad idea, but because putting such complex legislation into the constitution is a bad idea and because this particular proposal is the wrong solution. Spending limitations must be realistic and comprehensive over both state and local governments. Initiative 423 is neither realistic nor comprehensive. ■

General Elections Update

The November 7 General Election is fast approaching. In the Unicameral, there are 21 open seats. The State Chamber-PAC is supporting candidates in each of the open districts and three incumbents (see enclosed listing). The potential of a 22nd new Senator exists if Senator Mike Foley (Dist. 29) wins his race for State Auditor, and an appointment to fill the rest of his term would be made by the Governor before the session begins.

Governor Dave Heinman faces Democrat Dave Hahn for the Governor's race. Secretary of State John Gale faces Democrat Jay Stoddard. Current Auditor Kate Witek petitioned on the General Election ballot as a Democrat and faces State Senator Mike Foley (R). Attorney General John Bruning and Treasurer candidate Shane Osborne, both Republicans, face token opposition.

On the federal side, the First District Congressional seat has Congressman Jeff Fortenberry (R) facing Maxine Moul (D). Jim Esch (D) is running against incumbent Lee Terry (R) in the Second Congressional District. In the open Third District, State Senator Adrian Smith (R) faces Scott Kleeb (D).

The State Chamber is endorsing Governor Dave Heinman for a four-year term. The Board of Directors made the endorsement based on Gov. Heinman's continued efforts to lead the state to a stronger and healthier business climate. A fundraising reception was held earlier this year at

Quarry Oaks Golf Clubhouse.

There are also a number of initiatives and constitutional amendments on the ballot this year. The enclosed sheet details those issues where the State Chamber has taken a position.

The State Chamber encourages all members to look at the VoteForBusiness.com link on our website. The 33% voter turnout in this year's Primary speaks volumes about the importance of employers and employees voting and knowing the candidates and where they stand. VoteForNebraska.com enables you to easily register to vote, get absentee ballots, and to educate yourself on state and federal candidates—all from a single website.

VoteForNebraska.com provides all the resources needed to improve grassroots participation from your employees. From the website, your employees can register to vote, apply for absentee ballots, locate their polling place, and study the candidates running at the federal, state, and local levels.

In addition, please make yourself known to and become acquainted with the people in your district who are running or who are interested in running for the Nebraska Legislature. Invite them to visit your place of business and see, first hand, the economic impact that you are making in your community. There is no better way for a candidate to appreciate the importance of your investment and jobs that have been created than to see your facilities and employees in person. ■

Council Meetings Set For November

As a State Chamber member, you are eligible to participate on several of the State Chamber's Standing Councils (Agri-Business, Economic Development, Education, Environmental, Health Care, Labor Relations, Small Business, and Taxation). Each Council provides the vital function of reviewing and proposing policies for the State Chamber Board of Directors. It is at the Council level where issues of concern to Nebraska business are discussed and formulated in depth. In addition, all manufacturer members of the State Chamber are automatically enrolled as Manufacturers Council members.

Most State Chamber Councils will be meeting during the week of November 13 to discuss policy positions and prepare for the next legislative session. Health Care and Education will meet on November 13 at the State Chamber Lower Level Conference Room. Taxation and Economic Development will be meeting at the Cornhusker Marriott on November 14. Small Business will meet on November 15 at the State Chamber Lower Level Conference Room. Agri-Business and Environmental will also meet at the State Chamber Lower Level Conference Room on November 16. Labor Relations will meet at the Cornhusker Marriott on November 17.

For more information on the Councils, please contact the State Chamber office at (402) 474-4422. ■

Membership Directory Sales Underway

The advertising sales campaign for the 2007 State Chamber Membership and Business Directory will begin this month. Kane Underwood, a professional advertising representative of Lawton Publications, will be in contact with members across the state to present exciting advertising opportunities to you. Take a quick minute and compute how many times you utilize the Directory, then factor

in that over 1,400 fellow members see it as well. Your message and listing will also be seen by many others, as the Directory is utilized by economic development recruiting efforts by the state and at employee recruiting opportunities, particularly at state colleges and universities.

We would ask you to please review your Directory for proper listings, addresses, phone numbers,

etc. Then make a point of noting businesses you are familiar with who are NOT listed. Those businesses should be in the Directory too, as well as members of the State Chamber. Take a copy of your old Directory and let them know they should be a member of the State Chamber, just like smart businesses such as yours! ■

2007 Annual Meeting & Legislative Caucus February 1

Mark your calendars for the State Chamber's Annual Meeting and Legislative Caucus set for Thursday, February 1, 2007, at the Cornhusker Marriott Hotel and Conference Center in Lincoln. A full program will provide Nebraska business people an opportunity to meet with members of the Nebraska Legislature and state policymakers, to salute the achievements of four of Nebraska's business leaders, and to get a first-hand briefing on important legislative issues of concern to the business community.

Late registration will begin in the Atrium of the Cornhusker Marriott at 9:00 a.m., followed by the Board of Directors meeting, scheduled from

10:00-11:45 a.m. The traditional Chamber of Commerce Month kickoff luncheon follows at noon.

The afternoon sessions will feature the traditional Legislative Panel to bring members up to date on key business issues before the 2007 Unicameral. The evening banquet will begin at 7:00 p.m., following the social hour in the Cornhusker Marriott Atrium. The banquet will feature the traditional passing of the gavel from 2006 Chairman **Rich Bailey** to 2007 Chairman **Tom Whalen**. The Business Hall of Fame induction ceremony will begin at 8:00 p.m., and the banquet will conclude with closing comments by Chairman Whalen. ■

Pat On The Back

A number of State Chamber members were honored at the 2006 Nebraska Diplomats Banquet last month. Diplomat of the Year Award went to **C. Lloyd Castner**, business development representative with Kirkham Michael in Columbus. Industry of the Year Awards went to **Duncan Aviation** in Lincoln and **Valmont Industries, Inc.**, in Omaha. The Power in the Partnership Award went to the **Nebraska Community College System**.

Lincoln Chamber of Commerce Celebrate Business Awards honored two State Chamber members last month. **TierOne Bank** was given the Cornerstone Award and State Chamber Chairman **Rich Bailey** was awarded the Burnham Yates Citizenship Award. ■

State Chamber Welcomes New "Investors"

Membership in the Nebraska Chamber of Commerce & Industry is an investment in Nebraska's economic well-being. This month, the State Chamber welcomes the following new members and encourages members to consider doing business with fellow Chamber members.

ARLINGTON, VA

Statewide Associates, Inc.
Connie Campanella

Wild Berry Production Group
Jason Berry

AUBURN

Armstrong Cabinet Products
Darrell A. Burns

MORRILL

Grasmick Feeding & Farming
Harvey Grasmick

COLUMBUS

Corner Stop
Jed Brunken

Sponsor: Rich Anderson, Shell Valley Companies, Inc.

OMAHA

Central Supply & Rubber Company
Jack Swanson, Jr.

GUIDE ROCK

The Guide Rock State Bank
Clifford E. Vogler

Fairacres Lawn Inc.
Dan Rogokos

LIBERTY, MO

Cingular Wireless
Beth Canuteson

Sponsor: Larry Ruth, Ruth Mueller Robak, LLC

Human Resource Association of the Midlands
Lori Spanbauer

LINCOLN

Land Construction, Inc.
Roger Schwisow

PAPILLION

Nebraska Advanced Manufacturing Coalition
Dwayne B. Probyn

RICHMOND, VA

LandAmerica Financial Group, Inc.
Peter Kolbe

Sponsor: Patrick Carmody, Lamson, Dugan and Murray, LLP

Pandemic Planning

(Continued from page 1)

adequately prepared for the possibility of a pandemic that would have significant social and economic costs.

Each winter, the flu kills approximately 36,000-40,000 Americans, hospitalizes more than 200,000, and costs the U.S. economy over \$10 billion in lost productivity and direct medical expenses. As staggering as these figures are, health experts are now warning about a far more lethal kind of flu - a pandemic flu that could kill over a half million people in the U.S., hospitalize 2 million more, and cost our economy an estimated \$160-\$675 billion.

Here are important websites regarding influenza and a pandemic:

- **TAMIFLU** is the only prescription antiviral pill indicated to prevent and treat type A and type B influenza in patients one year and older: http://www.uschamber.com/issues/index/defense/pandemic/tamiflu_main.htm
- The official U.S. Government website for information on pandemic flu and avian influenza: <http://www.pandemicflu.gov/>
- Educational material and up-to-date news for employers and employees: apfluwatch.com.