



Pete Ricketts
Governor

STATE OF NEBRASKA

OFFICE OF THE GOVERNOR
P.O. Box 94848 • Lincoln, Nebraska 68509-4848
Phone: (402) 471-2244 • pete.ricketts@nebraska.gov

May 7, 2015

Mr. President, Mr. Speaker, and
Members of the Legislature
State Capitol
Lincoln, NE 68509

Dear Mr. President and Members of the Legislature:

I am returning LB 610 and LB 610A without my signature and with my objections.

The number one issue I hear about from hardworking Nebraskans is the need for tax relief. Whether they are farmers and home owners seeking relief from high property taxes or businesses being held back by our second-highest-in-the region income tax rates, the message is clear: Nebraskans want and deserve tax relief.

LB 610 would do the exact opposite by imposing a \$75 million per year tax increase. The new tax would be added to the 25.6 cents Nebraskans are already paying in state gas tax per gallon of gasoline. This is a 23 percent increase.

At this level, Nebraska's gas tax rate would be the 16th highest in the country – surpassing the national average and surpassing the gas tax rate of every state that borders our state. The increased gas tax rate would also be about two times our state's top income tax rate.

Since LB 610 was introduced, the average price per gallon of gasoline has increased nearly 50 cents. The volatility of per gallon prices demonstrates the structural flaw in this bill. No matter what the price at the pump – including the \$4.00 per gallon gasoline that Nebraskans were paying only two years ago – the tax increase proposed by the bill would be imposed. This only exacerbates the regressive nature of this tax.

Not only does a gas tax increase impact nearly every Nebraskan, it is one of the most regressive taxes, having the most severe impact on those who can least afford it. Tax increases, like the proposed gas tax hike, take away money that low and fixed-income Nebraskans count on to pay for food, utilities, and medication. They also adversely impact those who drive great distances, like many Nebraskans in our rural areas.

While proponents of a tax increase have raised important concerns about the state of Nebraska's roads and bridges, there has not been a compelling case made that a gas tax increase is the solution to construction project needs. There are alternatives our state should first explore. Raising taxes should never be the first course of action.

Revenues for the Department of Roads are at a twenty-year high point even when adjusted for inflation. It is important to recognize that we have increased state tax collections even as vehicles have become more fuel efficient. The agency has received record increases due to receipts from motor vehicle registration fees, sales taxes received from the sale of motor vehicles, and sales taxes directed by LB 84.

I believe we can improve operations at the Department of Roads. That is why I conducted a national job search for a new Director. Last week, I appointed a new Director. I intentionally selected a forward-thinking leader who will take a fresh approach to our state's road construction needs. Other states have achieved success by using public/private partnerships, working to improve operations, lowering administrative overhead costs that cut into construction funds, and increasing flexibility within the agency's regulatory framework.

I remain committed to addressing our state and local infrastructure needs. This is an area that is vital to our continued economic growth. I cannot, however, support raising taxes as the first solution to this issue.

For each of these reasons, I respectfully urge you to sustain my veto of LB 610 and LB 610A.

Sincerely,

A handwritten signature in black ink that reads "Pete Ricketts". The signature is written in a cursive, flowing style.

Pete Ricketts
Governor