

## LEGISLATIVE BILL 123

Approved by the Governor March 25, 2025

Introduced by Sanders, 45.

A BILL FOR AN ACT relating to political subdivisions; to amend sections 13-522 and 19-2907, Reissue Revised Statutes of Nebraska, and section 13-3407, Revised Statutes Cumulative Supplement, 2024; to change provisions relating to withholding money due to the noncompliance of certain political subdivisions regarding budget limits, form submissions relating to property tax request authority and unused property tax request authority, and annual audits; and to repeal the original sections.

Be it enacted by the people of the State of Nebraska,

**Section 1.** Section 13-522, Reissue Revised Statutes of Nebraska, is amended to read:

13-522 (1) The Auditor of Public Accounts shall prepare budget documents to be submitted by governmental units which calculate the restricted funds authority for each governmental unit. Each governmental unit shall submit its calculated restricted funds authority with its budget documents at the time the budgets are due to the Auditor of Public Accounts. If the Auditor of Public Accounts determines from the budget documents that a governmental unit is not complying with the budget limits provided in sections 13-518 to 13-522, he or she shall notify the governing body of his or her determination and notify the State Treasurer of the noncompliance.

(2)(a) Upon receiving notice from the Auditor of Public Accounts, the The State Treasurer shall then suspend distribution of state aid allocated to the governmental unit until such sections are complied with. The funds shall be held for six months until the governmental unit complies, and if the governmental unit complies within the six-month period, it shall receive the suspended funds, but after six months, if the governmental unit fails to comply, the suspended funds shall be forfeited and shall be (i) redistributed to other recipients of the state aid in the county where such noncompliant governmental unit is located or returned to the Highway Allocation Fund if there is no eligible recipient or (ii)  in the case of a homestead exemption reimbursement, returned to the General Fund.

(b) The governmental unit shall continue to forfeit state aid until the governmental unit reaches compliance and the State Treasurer has received notification of such compliance from the Auditor of Public Accounts. All state aid that was forfeited shall remain forfeited and redistributed according to subdivision (a)(i) of this subsection.

(3) If any governmental unit fails to reach compliance within twelve months after the time of the order and notice of delinquency given by the Auditor of Public Accounts to the State Treasurer, such governmental unit shall be ineligible for future distributions of state aid. Upon reaching compliance, the governmental unit shall be eligible for future distributions of state aid.

**Sec. 2.** Section 13-3407, Revised Statutes Cumulative Supplement, 2024, is amended to read:

13-3407 (1) The auditor shall prepare forms to be used by political subdivisions for the purpose of calculating property tax request authority and unused property tax request authority. Each political subdivision shall calculate such amounts and submit the forms to the auditor on or before September 30, 2025, and on or before September 30 of each year thereafter. If a political subdivision fails to submit such forms to the auditor or if the auditor determines from such forms that a political subdivision is not complying with the limits provided in the Property Tax Growth Limitation Act, the auditor shall notify the political subdivision and the State Treasurer of the noncompliance.

(2)(a) Upon receiving notice from the auditor, the The State Treasurer shall then suspend distribution of state aid allocated to the political subdivision until the political subdivision complies. The funds shall be held for six months. If the political subdivision complies within the six-month period, it shall receive the suspended funds. If the political subdivision fails to comply within the six-month period, the suspended funds shall be forfeited and shall be (i) redistributed to other recipients of the state aid in the county where such noncompliant political subdivision is located or returned to the Highway Allocation Fund if there is no eligible recipient or (ii)  in the case of a homestead exemption reimbursement, returned to the General Fund.

(b) The political subdivision shall continue to forfeit state aid until the political subdivision reaches compliance and the State Treasurer has received notification of such compliance from the auditor. All state aid that was forfeited shall remain forfeited and redistributed according to subdivision (a)(i) of this subsection.

(3) If any political subdivision fails to reach compliance within twelve months after the time of the order and notice of delinquency given by the auditor to the State Treasurer, such political subdivision shall be ineligible for future distributions of state aid. Upon reaching compliance, the political

subdivision shall be eligible for future distributions of state aid.

**Sec. 3.** Section 19-2907, Reissue Revised Statutes of Nebraska, is amended to read:

19-2907 Should any municipality fail or refuse to cause an annual audit to be made of all of its functions, activities, and transactions for the fiscal year within a period of six months following the close of such fiscal year, then and in such event, any resident taxpayer may make a written demand on the city council or village board of trustees of such municipality to commence such annual audit within thirty days, and if such demand is ignored, a mandamus action may be instituted by any taxpayer or taxpayers residing in such municipality against the municipal authorities of such municipality requiring the municipality to proceed forthwith to cause such audit to be made, and if such action is decided in favor of the taxpayer or taxpayers instituting the same, the municipal authorities of such municipality shall be personally, and jointly and severally, liable for the costs of such action, including a reasonable attorney's fee to be allowed by the court for the attorney employed by the taxpayer or taxpayers and who prosecuted the action. Upon a failure, refusal, or neglect to cause such annual audit to be made as required by sections 19-2903 and 19-2904, and a failure to file a copy thereof with the Auditor of Public Accounts as required by section 19-2905, the Auditor of Public Accounts shall, after due notice and a hearing to show cause by such city or village, notify the State Treasurer of such failure to file a copy with the Auditor of Public Accounts. The State Treasurer shall, upon receipt of such notice, withhold distribution of all money to which such city or village may be entitled under the provisions of sections 39-2511 to 39-2520, until such annual audit shall have been made and have been filed with the Auditor of Public Accounts. If such annual audit is not filed within a period of six months from the time of the order and notice of delinquency given by the Auditor of Public Accounts to the State Treasurer, the amount so withheld shall be distributed to the other cities and villages in the county where such delinquent city is located. Upon compliance with the law requiring annual audits, the delinquent city or village shall again become entitled to distribution of all money to which it is entitled from the State Treasurer beginning with the date of such compliance. If any city or village fails to reach compliance within twelve months after the time of the order and notice of delinquency given by the Auditor of Public Accounts to the State Treasurer, the city or village shall no longer be entitled to the distribution of money under sections 39-2511 to 39-2520. Upon reaching compliance, the city or village shall become entitled to future distributions of money under sections 39-2511 to 39-2520.

**Sec. 4.** Original sections 13-522 and 19-2907, Reissue Revised Statutes of Nebraska, and section 13-3407, Revised Statutes Cumulative Supplement, 2024, are repealed.