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Appropriations Committee  
March 12, 2009

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[LB193]

The Committee on Appropriations met at 1:30 p.m. on Thursday, March 12, 2009, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB193. Senators present: Lavon Heidemann, Chairperson; John Harms, Vice Chairperson; Tony Fulton; Tom Hansen; Heath Mello; Danielle Nantkes; John Nelson; Jeremy Nordquist; and John Wightman. Senators absent: None.

SENATOR HEIDEMANN: Welcome to Appropriations Committee. We're going to start with introductions and we'll start down here with Senator Nordquist.

SENATOR NORDQUIST: I'm Jeremy Nordquist. I represent District 7 which covers downtown and south Omaha.

SENATOR HANSEN: Tom Hansen, District 42, Lincoln County, which is the French Riviera of the Sandhills.

SENATOR NANTKES: Hi, my name is Danielle Nantkes. I represent north Lincoln's "Fighting 46" Legislative District.

SENATOR WIGHTMAN: John Wightman. I represent District 36. I represent most of Dawson County and geographically most of Buffalo County.

SENATOR HEIDEMANN: Senator Lavon Heidemann, District 1. I'm from Elk Creek and I have most of the little corner of southeast Nebraska down there. Our committee clerk is Anne Fargen, and the page for today is Andy. And also, fiscal analyst at the present time is Doug.

SENATOR HARMS: John Harms. I represent 48th District, Scottsbluff, Nebraska.

SENATOR NELSON: John Nelson from central Omaha, representing District 6.

SENATOR MELLO: Heath Mello representing District 5, south Omaha and north Bellevue.

SENATOR HEIDEMANN: With that, at this time I'd like to remind you, if you have cell phones, if you would please shut them off or put them on silent or vibrate as not to disrupt us later on. Testifier sheets are on the table or near the back doors. We'd ask you to please fill them out completely and put them on a box on the table when you testify. You do not have to fill out this form if you aren't publicly testifying. At the beginning of the testimony, we ask that you please state and spell your name. Nontestifier sheets near the back doors, if you do not want to testify but would like to record your support or opposition, you only need to fill out this if you will not be publicly

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testifying. If you have printed materials to distribute, please give them to the page at the beginning of the testimony. You will need 12 copies. Also, in a matter of time and being as it's Thursday before a recess day, we ask that you please keep your testimony concise and on topic, under five minutes would be appreciated. And with that, we will open up the public hearing on LB193. Senator Nantkes.

SENATOR NANTKES: Thank you, Chairman Heidemann, members of the Appropriations Committee, in the immortal words of Don Preister, friends all. My name is Danielle Nantkes, that's D-a-n-i-e-l-l-e N-a-n-t-k-e-s, and I'm here to introduce LB193. LB193 was brought to me by the city of Lincoln and makes a change in statute for communities who utilize cigarette tax revenue for bonds and would allow them to refund and refinance such bonds. This bill came about because of actions taken last session when there were concerns in the body about cities bonding their cigarette tax allocations. Doing so, the argument went, effectively prevented the Legislature from reducing or limiting a particular city's allocation. To address this, an amendment to the budget bill, AM2448 to LB961, which was our mainline budget bill, was introduced and adopted. The language, however, was broader than simply preventing the future bonding of cigarette tax revenues. It also prevented cities like Lincoln from refunding existing bonds to take advantage of better interest rates. LB193 was introduced to allow the refunding of preexisting cigarette tax bonds. I urge you to support this legislation and would be happy to answer any questions. I'll highlight for the committee, there is a representative from the city of Lincoln here who can provide technical assistance and field questions in regards to how this legislation would positively impact our community. [LB193]

SENATOR HEIDEMANN: Are there any questions or would rather wait? Seeing none, we'll be kind. [LB193]

SENATOR NANTKES: Thank you. [LB193]

SENATOR HEIDEMANN: Is there anyone else wishing to testify in support of LB193? Welcome. [LB193]

DON HERZ: (Exhibit 1) Welcome. Good afternoon, Senator Heidemann and members of the Appropriations Committee. My name is Don Herz, and the last name is spelled H-e-r-z. I'm the finance director for the city of Lincoln and I'm here today in support of LB193. First, I would like to thank Senator Nantkes for introducing this bill on the request of the city. And as indicated by Senator Nantkes in her opening statement, there was a last-minute amendment introduced by Senator Erdman last year, to last year's budget bill, that prevented cities from bonding any future cigarette tax allocations provided in Section 77-2602. One consequence of this last-minute amendment, and we believe an unintended consequence, was to prevent the issuance of refunding bonds that would allow the city to refinance its bonds in the future at a lower interest rate. For

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some background, in 2001, the Ninety-Seventh Legislature passed LB657 that established a city of the Primary Class, which is the city of Lincoln, Development Fund to support the design and development of projects in the Antelope Valley. It allocated \$1 million annually from cigarette tax revenues from the period 7/1/2001 to 6/30/2016, which is a 15-year period and effectively over that time would appropriate \$15 million. It authorized the issuance of bonds for the project and it allowed the city to pledge that, those million dollar stream of revenues, as a backstop for those bonds. So the city followed through with its authorization and issued about \$12 million of bonds. The remainder of it, of course, is the carrying cost or interest. As I indicated, Senator Erdman's amendment that passed last year prevented the issuance of any bonds after July 1 of 2008. There will be...there are about \$5 million of the \$12 million that we issued that we would have an opportunity to refund in about three years from this date. Those remaining bonds carry a 5 percent interest rate which, in today's interest environment, could be refunded, oh, approximately in the 2 to 3 percent range. The savings from this refunding could exceed, the savings could exceed \$100,000 each year for the last four years. LB193 does not ask for the authority to issue new bonds and all it does is allow the authority to refinance existing bonds, hopefully at a lower interest rate, and thus save a significant amount of interest costs. And with that, be glad to attempt to answer any questions. [LB193]

SENATOR HEIDEMANN: Are there any questions? Senator Nordquist. [LB193]

SENATOR NORDQUIST: Yeah, Mr. Herz, was the reason for the amendment that there was concern about the sustainability of the cigarette...I mean was that the gist behind the amendment or...? [LB193]

DON HERZ: You know, I believe it was. There was some thought to taking away those allocations to the city of Lincoln and there's a stream of revenue, believe \$1.5 million, that goes to Omaha. We pointed out at the time that that discussion was going on that, hey, the Legislature gave us the authority to issue bonds and we did not want to, you know, to lose our credit rating. So I believe that's what precipitated last year's amendment to AM2448, was just to prevent any future bond issues, but it didn't have the provision to allow us to refund those bonds, and that's what we're asking. [LB193]

SENATOR NORDQUIST: Sure. What's the total cigarette tax revenue for the city of Lincoln? [LB193]

DON HERZ: Well, we are receiving a \$1 million appropriation. If you look at 24...or 77-2602, there is about ten different allocations of cigarette tax dollars and we're about six down the level and then number seven is \$1.5 million that goes to Omaha. And it is my understanding that Omaha has also bonded those, that stream of revenue. [LB193]

SENATOR NORDQUIST: Thank you. [LB193]

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SENATOR HEIDEMANN: Senator Wightman. [LB193]

SENATOR WIGHTMAN: These bonds will be refunded for what would have been the remaining period of the bonds anyway. [LB193]

DON HERZ: Exactly. [LB193]

SENATOR WIGHTMAN: They're not lengthening the bonds. [LB193]

DON HERZ: That's correct. That would be correct. [LB193]

SENATOR WIGHTMAN: So really, you're not doing anything...you're not using these funds in any way that they wouldn't have been used had the bonds been paid out according to their original terms. You'd just save the interest dollars. [LB193]

DON HERZ: Exactly. And with today's interest environment, you know, we could save, as I indicated, a fairly significant amount of money. [LB193]

SENATOR WIGHTMAN: Thank you. [LB193]

SENATOR HEIDEMANN: There any other questions? Seeing none, thank you. Is anyone else wishing to testify in support of LB193? Is anyone wishing to testify in opposition of LB193? Is anyone wishing to testify in the neutral position on LB193? Seeing none, would Senator Nantkes like to close? Senator Nantkes waives closing. We will close the public hearing on LB193 and open up the public hearing on Agency 19, the Department of Banking. [LB193]

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Disposition of Bills:

LB193 - Held in committee.

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Chairperson

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Committee Clerk