

May 4, 1979

LB 158

SPEAKER MARVEL: All in favor of the Murphy amendment as discussed vote aye, opposed no. Record.

CLERK: 27 ayes, 0 nays, Mr. President.

SPEAKER MARVEL: The motion carried. The amendment is adopted. Before we go to the next amendment, it is my pleasure to introduce from Senator Lamb's District in the South balcony 42 seventh grade students from Valentine School, Valentine, Nebraska, and Julie Dewing, the teacher. Will you raise your hand so we can welcome you this morning? Show us where you are. The Chair recognizes Senator Murphy.

CLERK: Mr. President, Senator Murphy moves to amend: Read Murphy amendment (8) on page 1859, Legislative Journal.

SPEAKER MARVEL: Senator Murphy.

SENATOR MURPHY: This relates to the same proposition we had before. It gives them the latitude to actually sell stock below par rather than at or above par and here again we are taking tax monies and selling it off at less than the tax money we have invested and I would object to this and I ask that that proposal of selling stock at below par be removed.

SPEAKER MARVEL: Senator Koch.

SENATOR KOCH: There it is, Mr. Speaker. Mr. Speaker and members of the body, I have to rise to oppose Senator Murphy's amendment because by striking these words, the municipalities will in effect be forced to pay from direct appropriations the cost of hiring a financial advisor or an underwriter to properly structure the financial aspects of any of these projects. Typically, and Senator Murphy knows this, bonds are sold by a municipality at slightly below par to an investment banker who in turn markets the bonds. The discount that the investor banker receives is used to cover his cost incurred in advising the municipality during the pendency of the project and to cover the cost of marketing the bonds. Without such a discount obtained through a below par sale, there is no incentive for the investment banker to spend time structuring the financial aspects of the project. He, therefore, will be forced to charge a commission to be paid by the municipality from general revenues so the advantage of the discount method is that the cost for the service of the investment banker is amortized over the life of the bonds and paid back from project revenues at no direct cost to a municipality,