

April 27, 1981

LB 327

where a local government is not able to take out a bankruptcy what happens simply is that it's bonds are continued to be discounted quite substantially. It just is not able to meet its obligations as they come due and that is essentially it. I mean, creditors really are left high and dry. I know that when New York was faced with its financial difficulties there was a lot of head scratching on the part of the Wall Street lawyers as to what was to be done to save New York because at that time the existing bankruptcy laws on governmental reorganization were extremely sketchy. It was allowed but they were extremely sketchy and so I think a considerable amount of thought has gone into, in the bankruptcy code revisions the kind of provision that should obtain when a government literally goes broke but it seems to me that given the magnitude of what Senator Schmit is requesting, this body would be better advised if it was to decline the amendment at this time, to bring the matter in next year as a bill, to have full committee hearings on the subject and to then pass it if it is necessary.

PRESIDENT: Any further discussion on Senator Schmit's motion to return for the specific amendment, return to Select File? Senator Schmit, you may close.

SENATOR SCHMIT: Mr. President and members of the Legislature, I would have to ask you to return the bill. I believe, as Senator Vard Johnson has pointed out, there is some concern there. I think he is really not in opposition to it. I do think, however, that there are some instances where there may be an SID that could go bankrupt and without this action they have no recourse. There is nothing for them to do. Now if you want them to just walk away from those obligations and do nothing, then I guess, you wouldn't adopt the amendment but if you want to provide them the mechanism which the federal statute has allowed us to do, to reorganize and to attempt to pay off those obligations, then I think you have to adopt the amendment. It makes no difference to me personally. I have none of this problem in my area but I think that we need to recognize that problems may occur and those problems will very likely occur before we get back here next session. I would hope that you would do the opposite of what Senator Vard has suggested, that we would pass it and then if there is a problem, we will probably have a better experience record by next January to act upon it. So with all respect to Senator Johnson who I know understands it far better than I do, I would ask you to return the bill for that specific amendment.

PRESIDENT: The motion is the return of LB 327 for the specific Schmit amendment. All those in favor vote aye, opposed nay. Have you all voted? Record the vote.