

bonds that this bill would allow to be authorized and I guess as I begin my presentation I want you to remember five initials, NDIGC, as I think about it. The kind of bonds that the Governor would have the Agricultural Revitalization Authority issue are known as "moral obligation bonds." The concept of "moral obligation" bonds was developed by former Attorney General John Mitchell in 1967 or 1968 in New York City when he was a member of that very famous bonding law firm of Mudge, Rose, Guthrie, (phonetic) et cetera, et cetera. That was also the law firm that Richard Nixon belonged to. Governor Rockefeller in New York State wanted the state to be able to do some creative borrowing to finance some worthy projects but couldn't get around the state's Constitution to do that kind of creative borrowing. So John Mitchell devised a particular form of financing called moral obligation financing wherein a public authority, such as a housing authority, would issue a bunch of bonds, the bonds would in no way, shape or form be guaranteed by the State of New York. On the other hand, enough money from the bond proceeds would be put into a capital reserve fund so that unpaid principle and interest on the bonds could be satisfied during that first year of default. Then the bill would go on to provide that during that period of default why the Legislature of New York State would be asked to restore, would be asked to restore that capital reserve fund so in effect, it would be placed in the position of having to bail out this bond program. Now there was no legal obligation to bail out the bond program. It was a "moral obligation" to do that. Since that time there have been a number of bonds issued on the East Coast under this "moral obligation" bonding theory and there has been a default. There was a default in Pennsylvania and, yes, the Pennsylvania Legislature did take the bait and, yes, they bailed the bonds out to the tune of many hundreds of thousands of dollars. I think LB 849 represents our first go around at "moral obligation" bonds. The amendment offered by Senator Johnson, I want you to look at it because you have to understand what you're getting into. The amendment offered by Senator Johnson notes very carefully, notes very carefully that if that capital, if that sinking fund falls below a minimum standard, "The Governor shall include such sum, if any, in his or her budget recommendation for the ensuing fiscal year as required by Article IV, Section 7 of the Constitution of the State of Nebraska." In other words, the bill is being put into position so that if there is ever a problem with these agricultural bonds, the state can be looked to to pick up that slack. Now I would support the amendment because it's a reasonable amendment. On the other hand, I'm going to offer another amendment to take