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LB 192, 665-676

clear what was in the bill and easier for the public to follow. Germaneness is the same concept that you have one issue, one subject area and you stick to that and don't start spreading all over the place with what is in the bill. So this would attempt to clarify and make sure that that is the case in this legislative body.

SPEAKER MARVEL: Senator Nichol. Number 15. The motion before the House is the adoption of item #15 on germaneness. All those in favor of that motion vote aye, opposed vote no. Twenty-five. Have you all voted? Have you all voted? Senator Wesely.

SENATOR WESELY: I think we're giving up.

SPEAKER MARVEL: Okay, record the vote.

CLERK: 19 ayes, 21 ayes, Mr. President.

SPEAKER MARVEL: The motion lost.

CLERK: Mr. President, if I may I would like to read some items. New bills, Mr. President. LB 665 offered by Senator DeCamp, Labedz, Wesely and Kilgarin. (Read by title for the first time, LB 665-677 as found on pages 124-126 of the Legislative Journal.)

Mr. President, Senator Johnson asks unanimous consent to be excused tomorrow, Senator Vard Johnson.

The Retirement Systems Committee gives notice of public hearing for next Tuesday.

Mr. President, Senator Vickers asks unanimous consent to add his name to LB 192 as cointroducer.

SPEAKER MARVEL: Hearing no objections, so ordered.

CLERK: Mr. President, I have a new resolution, LR 202 offered by Senator DeCamp. (Read LR 202 as found on page 127 of the Legislative Journal.) Mr. President, I have a request from Senator DeCamp to refer that, LR 202 to the Reference Committee for purposes of referencing it to committee for a public hearing.

SPEAKER MARVEL: No objections, so ordered. Senator Warner, are you ready to take up item #16? Oh, I'm sorry, Senator Wesely. It's #16, appropriations process.

SENATOR WESELY: Yes, Mr. Speaker, members of the Legislature there has been a great deal of discussion the last

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LB 115, 115A, 139, 139A, 212A,
LB 450, 576, 583, 588, 589,
LB 413, 631, 634, 670, 672,
LB 706, 735, 851

CLERK: (Read LB 413 on Final Reading.)

SENATOR CLARK: All provisions of law according to procedure having been complied with, the question is, shall the bill pass? All those in favor vote aye, opposed vote nay.

CLERK: Senator Clark voting yes.

SENATOR CLARK: Have you all voted? Record the vote.

CLERK: (Record vote read. See pages 529 and 530, Legislative Journal.) 20 ayes, 27 nays, 2 present and not voting, Mr. President.

SENATOR CLARK: The bill having not received the required number of votes has failed to pass on Final Reading. We will now to to item #5, General File. Does the Clerk have anything to read in?

CLERK: Mr. President, your committee on Public Works whose Chairman is Senator Kremer to whom we referred LB 670 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File; and LB 851 advanced to General File, both signed by Senator Kremer.

Your committee on Enrollment and Review respectfully reports they have carefully examined and engrossed LB 139 and find the same correctly engrossed; 139A correctly engrossed; and 450 correct engrossed. (Signed) Senator Kilgarin.

Your committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 631 and recommend the same be placed on Select File with amendments; 589 Select File; 212A Select File with amendments; 115 Select File with amendments; 115A Select File with amendments, all signed by Senator Kilgarin.

Your committee on Constitutional Revision and Recreation whose Chairman is Senator Labeledz to whom we referred LB 576 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File; 583 General File with amendments; 588 General File with amendments; 634 General File with amendments; 672 General File with amendments; 706 General File with amendments; and 735 indefinitely postponed, all signed by Senator Labeledz as Chair.

Mr. President, your committee on Ag and Environment will have an exec session at eight forty-five on Thursday, February 4 in Room 1105, Senator Schmit's office. That is an exec session of the Ag and Environment Committee tomorrow morning at eight forty-five in Senator Schmit's office.

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raised. The Call is raised, incidentally, so if you wanted to know. Okay, we are ready, Mr. Clerk, then for the second bill under Special Order General File, LB 672.

CLERK: Mr. President, LB 672 offered by Senator Goodrich. (Read title.) The bill was read on January 6th of this year, referred to the Constitutional Revision and Recreation Committee. The bill was advanced to General File. Mr. President, there are committee amendments pending.

PRESIDENT: The Chair recognizes Senator Goodrich.

SENATOR GOODRICH: Mr. President and members of the body, I am going to handle the committee amendment because Bernice is out of the room right now. And all the committee amendment does is clarify the wording of how it shall be placed on the ballot as was at the request of the City of Lincoln and City of Omaha, the conference that was held on the bill and just all this committee amendment does is clears up the language of how it shall appear on the ballot. I move the adoption of the committee amendment.

PRESIDENT: Any further discussion then on the committee amendment to LB 672. I guess that will do it, Senator Goodrich, so the question is the adoption of the committee amendment to LB 672. All those in favor vote aye, opposed nay. Record the vote.

CLERK: 27 ayes, 0 nays on adoption of the committee amendments, Mr. President.

PRESIDENT: The motion carries. The committee amendments are adopted. Senator Goodrich, do you want to present the bill?

SENATOR GOODRICH: Mr. President and members of the body, all this particular bill does, and it's a Constitutional amendment, incidentally, and it does submit to the voters the proposition that on redevelopment bonds can you go longer than 15 years. Right now, for example, if you have a project and the New York bond houses are interpreting the...and incidentally, some of the New York bond houses are interpreting that the 15 year period on the redevelopment project is triggered at the announcement of the project. Well, that takes a year to two years, sometimes three years off the bond issue because of

the fact that it takes sometimes up to two years to announce the project, to search out and find a developer that will do it, do the project, and then advertise the project, and go through the whole rigamarole of getting the approvals on the project. That can take up to two years and that does not leave the full 15-year balance of time for the bonds themselves. So I am saying in the bill that we shall just extract the word "fifteen" and insert "thirty" years and it means up to thirty years as far as the bonds themselves are concerned. The longer term, for example, of the bonds will lead to a better debt ratio on the project...the financing of the project itself, but what we are dealing with here is the period of time that you can divide the tax base between the original tax base and the new improved tax base to pay the bonds off with. If you have a project, for example, that has 15-year limitation on that and that calls for a higher payment and consequently the feasibility, the economic feasibility of the project will not work out in a lot of cases, it also means that the debt is funded in too short a time which in turn gives you a higher debt to income ratio and causes or forces a higher rate on the bonds. If you have lowered that ratio, then your bond issue is a more comparable bond issue and attracts purchasers which in turn gives you a lower rate on the redevelopment project, a lower rate of interest on the redevelopment project. I would move the advancement of 672.

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Senator Goodrich, if I may, could I ask you a couple of questions to be sure that I understand this correctly?

PRESIDENT: Senator Goodrich, will you respond?

SENATOR GOODRICH: Yes.

SENATOR BEUTLER: Okay, as I understand it, this has to do with tax increment financing and just to work with an example, when we decide to use tax increment financing bonds, we determine what the property valuation is before the development and then we determine what the property valuation is immediately subsequent to the development through a negotiation with the county assessor. Is that correct, Senator Goodrich?

SENATOR GOODRICH: No, not really because the tax base

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after the redevelopment can increase. The assessor cannot determine, for example, he cannot say to you, for example, that he will leave that tax base the same all the way through the bond issue. He could raise that tax base just like every other piece of real estate gets raised.

SENATOR BEUTLER: So the tax base can be increased over that 15 or 30 year period?

SENATOR GOODRICH: Yes.

SENATOR BEUTLER: Okay, the language in the constitutional amendment says a constitutional amendment to extend from 15 to 30 years the period of time that certain tax valuations will remain constant. Those valuations are not going to remain constant, but they may increase.

SENATOR GOODRICH: They can, for example, what is being said there is that it will remain constant as far as no lowering is concerned. It can raise which would provide for paying off the bond sooner, but it would not be lowered by agreement between the assessor and the developer of the property so that we know, for example, there is this much income left there. The developer is agreeing to that tax base so that there is no less than that with which to pay the bonds off.

SENATOR BEUTLER: Well, I guess I am just troubled a little bit by the language, Senator Goodrich. Will remain constant, to me indicates that it will neither increase nor decrease. Would you object to an amendment which changed that to more accurately reflect what may happen?

SENATOR GOODRICH: If you would do this, if you would let us talk to the authorities, with the bond houses, for example, between now and Select File so that you and I could work together on that so that we are going to make sure we are not upsetting anything, we could do it on Select File.

SENATOR BEUTLER: Okay, thank you. Thank you, Mr. Speaker.

PRESIDENT: Motion on the desk, Mr. Clerk.

CLERK: Mr. President, Senator DeCamp would move to place the contents of LB 634CA, 672CA and LB 706CA, all be placed into LB 672.

PRESIDENT: The Chair recognizes Senator DeCamp.

SENATOR DeCAMP: Mr. President and members of the Legislature, very simply these all relate to the same thing. I think we can spend two more days. We have spent half of yesterday on it, spend today and tomorrow on one small area, and each deal with separate kill motion amendments and each one will be going on forever here. Since I have got to think that eventually you are going to have to put these together in some form or other, I suggest we get it over with now and deal with them all at once. And so my amendment is very simple. I just take the one we advanced and the one that is coming after 672 and 672, package them up together and deal with them as one issue. I think you ought to do it.

PRESIDENT: Senator Landis, did you wish to address the.... did you wish to address yourself to the DeCamp amendment?

SENATOR LANDIS: I do.

PRESIDENT: Senator Landis.

SENATOR LANDIS: LB 706 is my own bill. It is the one that comes up after 672. It is the enterprise zone concept and I object to the DeCamp amendment. It is not because I don't think it makes for healthy packaging, it does. And there are ways in which these can be bound together. I would agree that 672, Senator Goodrich's bill, and either 634 or 706 probably makes sense. However, you have in LB 634 and LB 706 two different financing methods, and I don't think it is fair to ask the voters to approve two separate financing mechanisms at one time. Now the technical changes in essence that Senator Goodrich proposes probably make sense in connection with either of those two bills. I have no qualms with being the odd man out on 706, but what does not seem fair to me, what I have objected to from those who suggested this packaging from day one, and this packaging by the way has been discussed as long ago as three months when the Urban Affairs Committee met in Omaha and heard the testimony of the Omaha departments, I object to two different financing methods being put into one constitutional amendment and giving people one chance to vote. I don't mind if those provisions are put into Senator Newell's bill or Senator Newell's bill is put into Senator Goodrich's bill, or Senator Goodrich's bill and my own bill are merged, but what is incompatible is merging LB 634 and LB 706. Those two have to do with two different kinds of financing and although they ultimately serve the same purpose, it

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would be like approving a tax credit and a tax exemption at the same time, and I don't see those as being the same. I know that there are others who don't share the same thing with me. I certainly wish Senator DeCamp had asked me about whether or not he intended to put my bill in with other people's bills. I would have been happy to tell him as I have told everyone in the lobby and Senator Newell that I do not support this idea and I object to the contents of LB 706 merging with the contents of 634. It asks the voter to approve two different financing methods at the same time and that is not a fair proposition to confront the voter with.

PRESIDENT: Senator DeCamp.

SENATOR DeCAMP: Mr. President, I would be happy to drop his amendment out of there...or his bill out of there. I don't think it is going anywhere anyway, would weaken the others, so I would be happy to pull that one out and combine the other two. But I would just point out to the body, we have gone absolutely nowhere this entire session and I mean that literally and I don't claim to be that much of a veteran. I've been here about 12 years. Bobby's been here longer, but I don't think in talking to Senators I have ever seen a session where we have gone more in circles than we have gone this session and where we have got more of a heavy load to deal with than we have got this session, and one of the specific rules of the Legislature, provisions in our rules, is you can take issues and combine them, join them, deliberately. The rules are set up for that. I am suggesting on two basically identical propositions, 672 and whatever that thing David had, 634, whatever number it was, we put them together rather than have separate amendments, separate kills, separate this, separate that, for basically for proposals that mesh with each other. So I would be happy, ask unanimous consent to take the one bill out of there and I would still offer the proposal on the other two to put them both into this 672.

PRESIDENT: You are withdrawing a portion of the amendment?

SENATOR DeCAMP: I am withdrawing that portion that has Landis' bill.

PRESIDENT: Can we do that, Mr. Clerk, rather than the amendment? We will just...it's on the record, you are withdrawing the reference to LB 706 in your motion. All right.

SENATOR DeCAMP: And as I say, it don't make no never mind to me what you do but pretty soon you are going to find the end of the session here and everybody is going to say, what happened? Well, this is what is happening, we are spending three days....

PRESIDENT: That's understood, Senator Landis, then that is out of that. All right, now Senator Newell.

SENATOR NEWELL: Well, Mr. President and members of the Legislature, you know, John, I think, is offering a way of expediting this whole issue and the sad part of it is is that we need to discuss each of these proposals on General File so they don't get a tremendous amount of discussion on Select. I think it is a little...myself, I think it is premature for John's motion and I would urge John to withdraw it and maybe we could take it up on Select File, John. I think at that time we can get together, and Senator Landis and I have talked about this and agreed to get together. We just haven't done that. Senator Goodrich and I along with Dave and some others need to discuss this, first we need to discuss this with the people that basically these proposals are aimed at helping. That is the various urban areas and cities and other folks, so, John, I can appreciate what you are proposing, but maybe...I would urge you to withdraw it and maybe try to do this on Select. It might be expedited that way because we will have had an opportunity to talk.

PRESIDENT: Senator DeCamp.

SENATOR DeCAMP: Mr. President, I would be happy to do that, and let me be the first to have sounded the alarm that this is a session headed for nowhere, going nowhere with absolutely no direction and that we spend our time on the floor discussing what we are going to discuss when we get ready to discuss something in the future on another discussion. Something should be done before we get to the discussion stage on the floor. But as I say, it don't make no never mind to me. Heck, I can go shovel snow and do something better than here.

PRESIDENT: So with that you are withdrawing at this time? Senator DeCamp, you are withdrawing then the amendment at this time? Okay. The amendment is withdrawn. Now, Senator Goodrich, on the advance of the bill, the motion to advance.

SENATOR GOODRICH: Okay. Mr. President and members of the body, I move the advancement of LB 672, and just for the

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LB 672, 706

sake of anybody that might not have been in the room, it is a constitutional amendment to extend the time from 15 up to 30. I move the advancement of the bill.

PRESIDENT: The motion is the advance of LB 672. All those in favor vote aye, opposed nay. Have you all voted? Record the vote.

CLERK: 25 ayes, 4 nays, Mr. President, on the motion to advance the bill.

PRESIDENT: The motion carries. LB 672 is advanced to E & R Initial. The next bill is LB 706.

CLERK: LB 706 offered by Senator Landis. (Read title.) The bill was read on January 8 of this year, referred to Constitutional Revision and Recreation, advanced to General File. Mr. President, there are committee amendments attached.

PRESIDENT: The Chair recognizes Senator Landis for purpose of handling the committee amendments first. Senator Landis.

SENATOR LANDIS: Thank you, Mr. Speaker. Senator Labedz asked me to take the committee amendments, to explain them to you. She couldn't be here. They are two. One of them changes the ballot language and the other one just changes to put into proper form what the intent of 706 is. The first amendment, you will find it on the small white piece of paper before the green copy in your bill book, indicates that you add the language "authorize cities and villages too." Well, if you open up the green copy and you find the right place, it says, that the Legislature may authorize cities and villages by general law in part or whole to in essence freeze property taxes in enterprise zones. The whole purpose there is to indicate that it is not the Legislature that will do the freezing of the property taxes but local cities and villages pursuant to the state law that we will be passing in the event 706 is passed by the voters. The second section changes the ballot language, deletes the reference to tax abatement and instead states "permit property valuations to remain constant", and the purpose there is to more accurately describe what would happen in a business enterprise zone, which would be the freezing of property tax values for up to five years for developments in blighted and substandard areas, and by so doing this amendment more accurately describes the phenomenon that the voters will be approving or disapproving

LR 211, 224
LB 131, 192, 198, 211, 224, 231,
239, 263, 270, 274, 274A, 287,
314, 402, 440, 448, 450, 454,
465, 511, 547, 589, 592, 634,
646, 649, 669A, 672, 827

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SPEAKER MARVEL PRESIDING

SPEAKER MARVEL: The prayer will be delivered by the Reverend Palmer.

REVEREND PALMER: Prayer offered.

SPEAKER MARVEL: Record your presence, please. While we are waiting for a quorum, underneath the South balcony from Scottsbluff, Nebraska, Audrey Towater is the guest of Senator Nichol. She is the one that has that large object there she is working on. I suggest that at your convenience you take a look at it. It is very interesting. Record, Mr. Clerk.

CLERK: There is a quorum present, Mr. President.

SPEAKER MARVEL: The Clerk has got some items to read into the Journal.

CLERK: Mr. President, your committee on Enrollment and Review respectfully reports we have carefully examined and reviewed LB 634 and recommend that same be placed on Select File with amendments; 672 Select File with amendments and LB 827 Select File and 669A Select File, all signed by Senator Kilgarin. (See pages 790-791 of the Journal.)

Your Enrolling Clerk respectfully reports that she has presented to the Governor on February 19 at two-fifty, bills passed on Final Reading that day. (Re: LB 131, 274, 274A, 287, 314, 402, 440, 454 and 589.)

Mr. President, I have communications from the Governor. The first is addressed to the Clerk. (Read communication re: LB 239 as found on page 791 of the Legislative Journal.) The second communication is addressed to the Clerk. (Read re: LB 192, 198, 231, 263, 270, 448, 450, 465, 511, 592, 131, 274, 274A, 287, 314, 402, 454 and 589.)

Mr. President, your committee on Urban Affairs whose chairman is Senator Landis reports LB 904 as indefinitely postponed. That is signed by Senator Landis as Chair.

Senator Schmit would like to print amendments to LB 547 in the Legislative Journal. (See page 792 of the Journal.)

Mr. President, LR 211, 224 and LB 646 and 649 are ready for your signatures.

SPEAKER MARVEL: While the Legislature is in session and capable of transacting business I am about to sign and do sign LR 211, LR 224, engrossed LB 646, LB 649. (See page

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LB 208, 672

CLERK: Nothing further on the bill, Mr. President.

PRESIDENT: Senator Koch, do you want to advance the bill?

SENATOR KOCH: Not with a great deal of enthusiasm but I will move to advance it as amended to E & R Engrossing.

PRESIDENT: Okay, motion to advance LB 208 to E & R for Engrossment. Any discussion? All those in favor signify by saying aye. Opposed nay. The bill is advanced to E & R for Engrossment. Senator Goodrich, I understand you have just one amendment. Is that...are there agreed to amendments on this, did somebody tell me?

SENATOR GOODRICH: Yes.

PRESIDENT: Well, why don't we go ahead and see if it doesn't take too long, we will try and get this next one out of the way.

CLERK: Mr. President, 672....

PRESIDENT: LB 672.

CLERK: Yes, sir, I have E & R to it.

PRESIDENT: E & R amendments. Senator Kilgarin.

SENATOR KILGARIN: I move we adopt the E & R amendments to LB 672.

PRESIDENT: Motion to adopt the E & R amendments to LB 672. Any discussion? All those in favor of adopting the E & R amendments on LB 672 signify by saying aye. Opposed nay. The E & R amendments are adopted. Motion on the desk. Read the motion.

CLERK: Mr. President, Senator Vard Johnson would now move to amend the bill.

PRESIDENT: Senator Vard Johnson.

SENATOR V. JOHNSON: Mr. Speaker and members of the body, I have had my amendment on file but I neglected to have it printed in the Journal and it is being passed out now. No, I have one here...it's on your desk. It's really a very simple amendment. LB 672 calls for an amendment to Section 12 of Article VIII of the Nebraska Constitution, and Section 12 of Article VIII of the Nebraska Constitution presently

provides that any city or village of the state without regard to charter limitations and restrictions may incur indebtednesses whether by bond, loans, notes, advances of money or otherwise for the purpose of acquiring and redeveloping substandard or blighted property. And then our existing constitutional provision goes on to state that such cities or villages may pledge and apply to the payment of the principal interest on these indebtednesses, tax levied by the taxing bodies on the assessed valuation of the project in mind. That is existing law. Senator Goodrich's amendment to the Constitution allows tax incremental financing to be extended for 30 years as opposed to the present 15. What my amendment would do is this. It adds one word basically to the existing constitutional provision. It would add the word "rehabilitating". It would say, for the purpose of acquiring...actually for the purpose of "rehabilitating, acquiring or redeveloping substandard or blighted property", cities may do the things that the Constitution calls for. So the magic word is "rehabilitating". Now the reason that I am asking that this proposed constitutional amendment be amended one additional time to include the word "rehabilitating" is so our cities and villages that wish to engage in any kind of activities involving substandard or blighted property do not have...are not limited to simply acquiring the property or simply redeveloping the property, acquiring and redeveloping the property, but instead can also rehabilitate the property. Now we saw in Lincoln two weeks ago an example of tax incremental financing being used by the City of Lincoln to blow up the Cornhusker Hotel to make a site clear so that a new facility could be constructed. One reason why the Cornhusker Hotel had to be blown up as opposed to being restored is because there is no authority under existing law for cities and villages to use tax incremental financing to rehabilitate property. They have got to acquire and redevelop it, but they can't just rehabilitate it. Now the Cornhusker Hotel, had this amendment been in place, could have been...the interior could have been gutted and it could have been used for whatever purposes the city wanted to use it for. That is a rehabilitation type project. But for the want of the word "rehabilitation" tax incremental financing cannot be used in that fashion. The City of Omaha has engaged in many, many projects using federal dollars, not city money because of constitutional limitations but federal dollars to rehabilitate substandard and blighted property, and those federal dollars are now coming to an end through some of the changes occurring congressionally. And what that means very simply is that a city like Omaha will not have the ability...it may have the will but it just doesn't have the ability to use its own money for the purposes

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of rehabilitating substandard and blighted properties. This little change to Senator Goodrich's proposed constitutional amendment gives the City of Omaha the authority to use its money i.e. our tax dollars for what has been an ongoing purpose in our community i.e. rehabilitation of blighted or substandard property. It is a reasonable change. It is a relatively modest kind of a change but it will allow continued activities that are going on now with federal funds and in addition it will also allow the tax incremental financing tool which the voters have approved obviously in the initial constitutional amendment to be used not just for acquiring and redeveloping property but also to be used for rehabilitating property. I would ask that this change be adopted.

PRESIDENT: The Chair recognizes Senator Remmers.

SENATOR REMMERS: Mr. Speaker and members of the Legislature, I rise to support Senator Johnson's amendment. The Urban Affairs Committee made a tour of parts of Omaha early winter and we saw some of the work that was being done and thought it was commendable. I am not going to try to go into the details of it. I think Senator Johnson has done a good job of explaining it, but with the change in the federal programs that are coming I think it is very important that we allow this amendment to be added so that we can correct the situation so that these monies can be used as they have been done. I urge you to support Senator Johnson's amendment.

PRESIDENT: The Chair recognizes Senator Labedz. Senator Labedz.

SENATOR LABEDZ: I am sorry. As Chairman of the Constitutional Revision and Recreation Committee I just wanted to say that the reason that we kept LB 672...or I should say 730 on rehabilitation in the committee was the committee members felt that there were going to be so many constitutional amendments on the ballot that we thought it better that 730 come in as an amendment to LB 672 and combined it into one constitutional amendment because as it stood at that time we had three or four that we had advanced and we thought it was better to take 730 and include it as an amendment on 672. And I just wanted you to know that I support the amendment and hopefully you may hear from other members of the committee that also supported that version in the committee. Thank you.

PRESIDENT: Senator Goodrich.

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SENATOR GOODRICH: I just wanted to say that I have agreed to the amendment and that I would urge the adoption of the amendment.

PRESIDENT: Senator Johnson, do you wish to close then with that in mind? All right, closing is waived. The motion is the adoption of the Vard Johnson amendment to LB 672. All those in favor vote aye....Senator Koch, did you wish to....he was waiving closing.

SENATOR KOCH: I don't blame him. I would want to waive that in a hurry too. I have a couple of questions of my good friend, Senator Johnson.

SENATOR V. JOHNSON: I'm up.

PRESIDENT: All right.

SENATOR V. JOHNSON: I'm ready.

SENATOR KOCH: We have argued considerably in this Legislature in the last couple weeks about blighted and substandard property. I think Senator Beutler is one that has argued most vehemently. Now we are about to put it in this bill which came out originally as a...the original intent of the constitutional amendment was when I carried it once was to take primarily commercial areas and so forth and redevelop them. I have a little problem not only with this that you are putting in there but I also have a little problem with the number of years which we are going to extend this to because the original purpose of tax increment financing was to develop an area, bring it back on the tax rolls in 15 years, no later than that, so there would be some new values. Now then I have a hard time understanding when we do get that redeveloped it may have to turn around and be redeveloped again before we ever find out what happened to it in the first place. So we stick in here providing for rehabilitation of substandard and blighted property. Now what do you have in mind on this, Senator Johnson? Give me an example in the Omaha area that I know pretty well even though I don't live directly there?

SENATOR V. JOHNSON: Tax incremental financing, Senator Koch, could be used for the old Sheraton-Fontenelle Hotel if the city ever wanted to do something with it. And instead of blowing it up, leveling the property which would be required under the bill that you really carried, and you are the father of this, this simply is one of your offsprings, Senator Koch.

SENATOR KOCH: No, the bond companies were the fathers.

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SENATOR V. JOHNSON: The Sheraton-Fontenelle could be gutted inside because that is a rehabilitation project. The tax incremental financing could be used for that purpose. Incidentally, I have no argument over the number of years. I think Senator Koch has worked out an arrangement with Senator Beutler who was concerned about the years, and everything will be good.

PRESIDENT: Okay. Motion then is the adoption of the Vard Johnson amendment. All those in favor vote aye, opposed nay. Have you all voted? Well, we have quite a few absentees right now I suppose. Since we are about ready to adjourn I wouldn't think so.

SENATOR V. JOHNSON: No, I don't need to, thank you.

PRESIDENT: Okay, record the vote.

CLERK: 25 ayes, 7 nays on adoption of Senator Johnson's amendment.

PRESIDENT: Motion carries. The amendment is adopted. Any other amendments?

CLERK: Mr. President, Senator Beutler would move to amend the bill by striking the word "thirty" found on page 2, line 18 and on page 3, line 10, and insert "twenty-five".

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Mr. Speaker and members of the Legislature, I am so tired of talking about bonds this year I am about ready to quit for the rest of the session, but Senator Goodrich and I have reached an agreement on this particular amendment. The bill in its original form provided for a term of 30 years which in my opinion is way too long, but which in Senator Goodrich's opinion is a reasonable term. I had an amendment originally to reduce it to 20 and we have compromised and agreed on 25, and I hope that you would see fit to endorse that agreement and we can move this bill on. Thank you.

PRESIDENT: Senator Goodrich.

SENATOR GOODRICH: For the sake of time, I have agreed to the amendment.

PRESIDENT: Okay, anything further? Senator Beutler, do you want to close? Closing waived. The question is the adoption of the Beutler amendment to LB 672. All those in

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LB 672, 126, 375, 525

favor vote aye, opposed nay. Record the vote.

CLERK: 26 ayes, 0 nays, Mr. President, on adoption of Senator Beutler's amendment.

PRESIDENT: Motion carries. The Beutler amendment is adopted. Any further amendments?

CLERK: Nothing further, Mr. President.

PRESIDENT: Senator Goodrich.

SENATOR GOODRICH: I move the bill be advanced.

PRESIDENT: Motion to advance LB 672 to E & R for Engrossment. Any discussion? Who requests a machine vote? Senator Vickers, all right, machine vote has been requested. All those in favor of advancing LB 672 vote aye, opposed nay. Go to the board. Motion is on the advancing to E & R for Engrossment of 672. Have you all voted? Well, Senator Goodrich, do you want to close the afternoon out with a Call of the House to make sure everybody is here to say goodbye for the weekend, or.....?

SENATOR GOODRICH: Wait a minute, just a second, I think I have got a green one coming here. I need one more after this one too. Okay.

PRESIDENT: Record the vote.

CLERK: Senator Wesely, do you want....you do? Senator Wesely requests record vote, Mr. President.

PRESIDENT: Record vote has been requested, Mr. Clerk.

CLERK: (Read the record vote as found on pages 1145 and 1146 of the Legislative Journal.) 25 ayes, 13 nays, Mr. President.

PRESIDENT: The motion carries, LB 672 is advanced to E & R for Engrossment. Anything further to read in at this time?

CLERK: Mr. President, Public Works is going to hold an Executive Session underneath the north balcony upon adjournment. That is Public Works underneath the north balcony. Governor Thone has communicated to us that LBs 126, 375 and 525 were signed by me on March 10th, 1982.

Mr. President, Special Order scheduling by the Speaker.
(Re: LB 726.)

March 17, 1982

LB 127, 383, 421, 672,
626, 629A, 677, 731

CLERK: Mr. President, very quickly, your committee on Enrollment and Review respectfully reports that we have carefully examined and engrossed LB 127 and find the same correctly engrossed; 383 and 421, 626, 672, 677 all correctly engrossed. Those are signed by Senator Kilgarin. (See page 1241 of the Legislative Journal.)

Mr. President, Senators DeCamp and Schmit would move to place LB 731 on General File pursuant to Rule 3, Section 18(b). (See page 1242 of the Legislative Journal.)

SENATOR LAMB: The next bill is LB 629A.

CLERK: (Read LB 629A.)

SENATOR LAMB: Senator DeCamp.

SENATOR DeCAMP: Mr. President, I move advancement of the bill and there is an item in there, I guess, what? \$15,000 is one of the items for Department of Roads. Possibly if we'd have had a little more advertising on some of these bids we'd have had 15 million or 150 million more in the coffers now.

SENATOR LAMB: The motion is to advance the bill. Senator Koch.

SENATOR KOCH: Senator DeCamp, would you redirect that fiscal note?

SENATOR LAMB: Senator DeCamp, would you respond.

SENATOR KOCH: I have been living in (inaudible), it's catching almost. I want to know what's going on here.

SENATOR DeCAMP: Its there for anybody to read, whatever the note is. There is no use of me.....(inaudible.)

SENATOR KOCH: The Department of Roads is the only one affected?

SENATOR DeCAMP: Pardon?

SENATOR KOCH: The Department of Roads is the only one affected in the state?

SENATOR DeCAMP: No, the entire state is affected. That is why I mentioned one item in there if you'd look at.

SENATOR KOCH: I'm talking about state government.

SENATOR DeCAMP: All of state government is affected, Senator Koch, even the schools.

March 23, 1982

LB 421, 672

ing been complied with, the question is, shall LB 421 pass. All those in favor vote aye, opposed nay. Record the vote.

ASSISTANT CLERK: (Read record vote as found on pages 1371-1372 of the Legislative Journal.) The vote is 45 ayes, 0 nays, 2 present and not voting, 2 excused and not voting, Mr. President.

PRESIDENT: LB 421 passes. The next bill on Final Reading, Mr. Clerk, is LB 672.

ASSISTANT CLERK: Mr. President, I have a motion on the desk.

PRESIDENT: Read the motion, Mr. Clerk.

ASSISTANT CLERK: Senator Warner would move to return LB 672 to Select File for a specific amendment, that amendment being to strike the enacting clause.

PRESIDENT: The Chair recognizes Senator Warner.

SENATOR WARNER: Mr. President, I hate to do this in the sense on Final Reading. I know the time restraints but I haven't gotten involved in any of the expansion of tax exempt bonds or other ways to try to ease the burden of high interest rates but there is places where it seems to me we go too far even though the purpose or the benefit perhaps is meritorious. The overall harm it seems to me exceeds that. The problem that is trying to be addressed obviously is the same problem any homeowner or anyone else has and that is if you make an improvement on your property inevitably you also incur an additional property tax or an additional evaluation while you are also trying to pay all the cost of the debt for that improvement. And it seems to me that at this time to expand this kind of financing for a twenty-five year period from its current fifteen almost equalling the accelerated depreciation you can now take on construction, at least more accelerated than it used to be, and then coupled with the fact that it obviously vastly broadens the concept by striking the word "and" and making it "or" for rehabilitation acquired and redevelopment, it seems to me that the concept gets so broad that it would be unwise to make this addition to the Constitution. I'm not going to spend a lot of time commenting on it but again, if all of us could pay off our debt on improvement by not having to pay increased property taxes until the debt was paid off, well we could all fare very well and I would feel that it is not good public policy to add these provisions, expand these provisions in our Constitution. I'd hope that the bill would not be enacted and placed on the ballot.

PRESIDENT: The Chair recognizes Senator Vard Johnson.

SENATOR V. JOHNSON: Mr. Speaker, members of the body, I want to rise in opposition to Senator Warner's motion to kill this constitutional amendment. I think the debate on the floor with respect to LB 672 both on General File and then on Select File, and this bill was amended on Select File, has been very good and this is a very simple ballot measure. All it does is it allows if passed, tax incremental financing to, in effect, be financed over a slightly longer period of time than is currently the case and in addition, it allows our communities to engage in rehabilitation projects as well as in acquisitional and redevelopment projects. Now you and I over the last twenty to thirty years have been watching the life of cities and we watched cities begin to decline usually from their center and the decline works outward and I know that we have all decried the basic destruction that is occurring day in and day out in our cities. And we've all asked ourselves, what kind of measures can we as individuals and we collectively as a Legislature take to at least either moderate the decline in the cities or in the alternative, reverse the trend. And one kind of measure that we have taken through the Constitution and through statutory implementation and finally through actual practice has been tax incremental financing of redevelopment projects. In fact we now have tax incremental financing money being used in the City of Omaha in its downtown area. We have tax incremental financing about to be used in the City of Lincoln in conjunction with the Cornhusker Hotel project and these are very valuable tools for our urban planners to use. In addition we have been using a lot of federal money which is drying up, for the purpose of rehabilitating houses. We have no state law that authorizes cities to use city money to rehabilitate properties. When the federal funds dry up, cities such as Omaha will be without authority to expend their dollars for rehabilitation programs. This constitutional amendment gives the City of Omaha and the City of Lincoln and other cities the authority to commit public dollars to rehabilitation projects and frankly, we need to conserve our assets and we conserve our assets through rehabilitation. This is a sound constitutional amendment. It is very useful in preserving and maintaining city structures. It is very useful in overcoming the effects of blight and decay and it should be advanced. I would ask all of you to rise to a person, in opposition to Senator Warner's motion.

PRESIDENT: The Chair recognizes Senator Goodrich.

SENATOR GOODRICH: Mr. President, members of the body, I also rise in opposition to Senator Warner's kill motion and if you listened to Senator Warner's presentation this morning he refers to improvements on property such as homes which is covered by Home Improvement Loans, that type of thing. That is not the type of improvements that is being asked for or talked to or addressed in this particular bill. This particular bill deals with the rehabilitation and the

redevelopment of and the new construction in major projects within an urban area and it doesn't make any difference whether it is Omaha, Lincoln or any other town in the State of Nebraska, but this is not the type of improvement that is being done on the individual homes. This is the major improvements such as redeveloping buildings in the downtown areas of any town in the State of Nebraska. I suggest for example that you cannot do these redevelopment projects, these major projects in a very short period of time. There is, as I said, on this floor before, a problem with the fifteen year limit on those bonds. The problem relates back to the trigger date of the interpretation by the bonding houses of New York or any other finance center of when the actual time starts moving. If, for example, they interpret it to be that the minute the project is announced, that triggers the time. Then, for example, you don't have fifteen years left in the project. It takes at least two years to develop these projects and then another year, year and a half to build them, get all of the...whole program put together, can be two to three years and that leaves only about twelve years in the bond issue and that is just plain too short a time to develop a major project. I suggest for example that what Senator Warner is referring to is the small home improvement type of remodeling or redevelopment and that is not the kind of development that we are talking about in this bill. I also suggest that the general public for example will be voting on this issue. It is a constitutional amendment and the general public will have to authorize us to even go into what we want to do as far as legislative proposals for this thing after they have said either yes or no. Let's let the public vote on it. There is nothing wrong with letting the public vote on an issue and in this particular case, that is exactly what we are doing. We are letting the public vote on this issue. So I suggest to you not to kill the bill but to go ahead and let the issue be placed on the ballot and let the general public make that decision. They will then furnish the guidelines by which the go-ahead or the signal as to whether we can or cannot proceed in this area. I ask you to let the public vote on this issue and not to kill this bill.

PRESIDENT: The Chair recognizes Senator Newell.

SENATOR NEWELL: Mr. President, members of the Legislature, I rise to oppose the Warner motion to return this bill. LB 672 is a constitutional amendment that does a couple of things and the couple of things it does, it provides for rehabilitation which is an important addition in the area of the tax incremental activity. The other thing it does, it adds fifteen, it adds ten more years to the amount of time that bond companies may or authorize to extend those bonds.

And that has been the centerpiece of concern about this issue and I think rightfully so. On the other hand, I want to say this, and I think it is important that we recognize there is no bond company that is going to authorize bonds or any activity that they don't think that they are going to retrieve their money. They are not going to use the full twenty-five years. They are not going to, in fact, use that and they are going to require those provisions to be less. I personally would like to see, wouldn't mind seeing the bill be brought back, you know, it is not necessary, to maybe just shorten that up from twenty-five to twenty just to make a few people more secure about it. But frankly that is not going to be used. That provision is not going to be used. It just is a way of changing the constitutional limitation of how long it can be. So basically this is a good bill. It is not a new concept. It is not plowing new ground. The only thing it does, it allows for rehabilitation which is essential in this whole tax increment activity. For that reason I would urge you not to return the bill for this amendment and also to support the bill on Final Reading.

PRESIDENT: The Chair recognizes Senator Wesely.

SENATOR WESELY: Mr. President, members of the Legislature, I rise in support of the Warner motion to return this bill to indefinitely postpone it and I do so, recognizing that the amendment that Senator Johnson added to the bill on rehabilitation is probably a good idea and I could support that provision. The extension of time from fifteen years to thirty as originally introduced and now twenty-five as amended, it's too long a period in which to allow for repayment of these bonds and I think that we understand the different economic times that we're under now and the pressures that are there in which perhaps we can see why we might need to extend that time period from fifteen years. There are a number of reasons why I don't think we want to do that. Number one, we just passed this legislation of tax increment financing about three years ago, I believe. It seems to me that we're moving rather rapidly to change at this point already, something that has only had a few years to work and it has worked well and I've supported it. We've seen a couple of projects in Omaha and Lincoln that are very important to our cities and elsewhere in the state I'm sure you'll see other projects that will be beneficial. So I think the concept has worked but I think if we start tinkering with the concept at this point in letting some of the restrictions loosen up a bit at this early date, I think you threaten the viability of the whole concept and why do I say that? I've got a letter from the Lincoln City Attorney talking about why they support this bill and it

says here, "due to the current economic conditions some projects are risky with only a fifteen year pay back period." And I'll stop at that point and just add this. If they are risky, if these projects are questionable in a fifteen year period, then they ought not to go through this process and ought not to benefit from tax increment financing. If they are so questionable that they are not able to be justified within fifteen year pay back, then it seems to me that we shouldn't proceed with those projects. What we're trying to do here, by extending from fifteen to twenty-five years, is bring in of course some more projects that might not otherwise be viable under the fifteen year limit but I question whether or not those are the kind of projects we want to pursue at this time especially in the serious economic instability that we have and if they are risky projects, do we want to take that risk? Is this the step we want to take and is that what this bill is trying to accomplish? And I'm not sure we want to take some risks that would be allowed under this bill under the present loosening of those standards and extension of the period that would be allowed for pay back. I think we have to be very careful about what the projects are that we follow under this tax increment financing and if they are good projects like the Cornhusker project which I think is a marvelous addition to the city, then let's pursue those and use tax increment financing. But if we start talking about risky projects that can't be paid back in fifteen years, then let's not get into those at this time because I think we have to be concerned about the taxpayer who is going to see a fifteen year period in which they are not going to be getting the tax increases that would result from these projects. Basically we're allowing for a fifteen year tax break is what we are talking about. That is a long time to go without some of those revenues and now we're talking about twenty-five years of tax break and that is an awfully long time to be talking about not allowing for an increase in those taxes. Now I again emphasize, I'm not opposed to tax increment financing. I support the concept, but the concept has to be strictly adhered to or else you are going to see the concept I think harmed by some of the loosening efforts that are undertaken with this bill. And I do support the idea of the rehabilitation amendment. Perhaps another constitutional amendment could be amended to provide for that but extension to twenty-five years is a step too far and I think that we have to understand that. And when Senator Goodrich talks about interpretation of the Constitution of the provisions there as to when that starts, I read the Constitution as presently enacted by the people of the state in 1978 and it seems fairly clear to me what we're talking about is and then you work out the project and then when that project is completed and its valuation is increased, at that point the city has the option of not increas-

ing their property tax assessment, keeping it at the rate it was before the project was completed and for fifteen years they do not get the...

PRESIDENT: One minute, Senator Wesely.

SENATOR WESELY: Okay. For fifteen years at that point they have a tax differential that goes into repaying the bonds, that is to say that there is the increase in property taxes but it all goes to pay back the bonds that are used by the city to support the project. So I think it is fairly clear that you have fifteen years after the project has increased the valuation to keep that valuation, as far as the city tax coffers go, at the old rate of return and then the increased money goes into repay those bonds. So I don't understand exactly where the interpretation problem comes in. And fifteen years is more than the typical bond is sold for I believe. Twelve years is what your average bond is sold for and that seems to me to be adequate then under the fifteen year provision that was adopted in '78. So I support the Warner amendment and oppose the bill.

PRESIDENT: All right, the Chair recognizes Senator Vickers.

SENATOR VICKERS: Mr. President and members, I, too, rise to support Senator Warner in his motion to bring this bill back to strike the enacting clause. As many of you know, I have fought this type of expansion of various methods to fund the blighted areas across this state all this session. The simple fact of the matter is, the issue that we're talking about is what is a fair tax and of course we all know the only fair tax is one that the other guy pays and I think that is what this issue is all about. If we can get certain businesses, certain individuals to build in certain areas that might be called substandard, and Senator Goodrich mentioned they could be in the downtown areas of many towns and that is true, then we can let those people have certain property tax breaks for a longer period of time with this bill. Well I suggest to you that the other property taxpayers are going to be picking up the difference for a longer period of time. Nobody seems to be talking about that. We're granting an extension of a refund, if you will, or a lesser amount, to certain people but at the same time somebody else is going to have to be paying a larger amount for a longer period of time, somebody else that might, in fact, be in the same business that this particular individual or business might be in. It is an example of the government intervening in private business and trying to throw dollars at a problem and see if they can make the problem go away. I don't think that will work. I think the people of this state should not have to be subjected to legislating in the Constitution for that sort of

thing. Another point I think needs to be made is that we are...I mentioned this the other day, we are going to have a ballot this fall that is three foot long with all the constitutional amendments that we seem to be intent on putting out to the public and I think that is going to really confuse the public when they see a whole host of constitutional amendments to be decided on, first of all, and secondly, I think it is a mistake any time we legislate with the Constitution anyhow. I think the Constitution is a pretty sacred document and should be tinkered with as little as possible. And I suggest that this is tinkering with the Constitution in a manner that is not in the best interests of everybody of the people of the State of Nebraska. Thank you, Mr. President.

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Mr. Speaker, members of the Legislature, I would like to support the Warner amendment. I don't want to repeat any of the points that have been made and some of the points that I would have made were made by Senator Vickers. There is a property tax effect. You are shifting property taxes from the commercial establishment that benefits from the tax increment financing to all other taxpayers in the community, all the other property taxpayers in the community and that shift is something that I think one further point should be added to. Remember the tax increment financing is going to apply to commercial property taxpayers and when you exempt them from the property tax, then it's going to be picked up by the other commercial property taxpayers but it is going to be picked up also by the homeowner, by the average guy and the elderly who are living in a modest home and paying their property taxes and having a problem right now. You're going to go through the process with tax increment financing of exempting one commercial property taxpayer after another which has the effect of increasing the burden on the residential property taxpayer. So we've been trying to deal with the burden on the residential property taxpayer for some time now and we're working across purposes because the tax increment financing itself and especially an expansion of the concept is going to further exacerbate the problem of the residential property taxpayer. Finally, I would say that one reason that I have objected to tax increment financing is that it constitutes a hidden tax. If you want to subsidize a particular business, let's be up front and do it. If you want to increase overall the local community's taxes for that purpose, create a fund, increase the taxes and do it but what is happening now is that each time the city council approves one of these projects, people don't realize that they are being taxed every time one of these projects is approved. They are being taxed. They are being

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LB 672

taxed because there is a tax shift and they don't realize it and I think we should be up front about our taxes. So I support the Warner amendment. Let's leave the law as it is. Thank you.

PRESIDENT: The Chair recognizes Senator Cope.

SENATOR COPE: Mr. President, members, remember one thing when you vote, that we are eroding our tax base. Now the original intent of the bill when it was passed probably wasn't too bad because it was areas that were not bringing in too much tax to the local subdivision. So in fifteen years then this would go back on the tax base for that city. So you traded fifteen years at the original tax and benefited fifteen years later but that was a foot in the door and I think that is where a lot of us made a mistake when we voted for that. Because now it started out with thirty years, then back down to twenty-five and I assure you if it doesn't pass or if it does, next year it will be in for another length of stay and it is eroding, and I repeat again and again. Think that over when you vote. You, as a citizen of that town are going to help pick up those taxes for those people who got a break and it is a break on their new business location, whatever it is.

PRESIDENT: The Chair recognizes Senator Labedz.

SENATOR LABEDZ: Thank you, Mr. President. LB 672 was heard in front of our committee in the City of Omaha and the City of Lincoln did give some good testimony and I would like to share some of it with you. Some of the things they said that the short limit increases the risk to the buyer of the bonds when the fifteen year period runs out, the bond purchasers receive no further payment whether or not the bonds are fully retired. So it makes it more difficult to find buyers for a given community and it also increases the cost by increasing the tax rates. In the extension of the term to twenty-five years would allow the community improvement financing to become more flexible and an effective tool to promote these development projects. The cities have recognized that it is a tool that they must use and they use it only when it is needed and the proper use, some of the proposed legislation will ensure that the bonds will be marketable and that is the most important and that in turn will encourage the projects which will strengthen the cities across the state and not just in Omaha and Lincoln. Thank you.

PRESIDENT: The Chair recognizes Senator Kahle.

SENATOR KAHLE: Mr. President, members, I support the kill

motion on LB 672. I think what we're doing, we're putting into our statutes the very thing that has ruined our country and that is the fact that we want to borrow money to build everything and we'll worry later about how to pay for it. The businesses today and the farmers that are in trouble are the ones that overexpanded and they have such a debt load they can't hack it. Even with reduced interest rates because of the financing that is available, tax free bonds and the whole other concept that we have, it is still borrowed money. And the other point I want to make is that no matter where you do this, in the middle of the city or whether it's in one of the small communities that I represent, you're going to create competition for those businesses that are already there. They are going to be paying the full load of taxes and they're going to have an old building or a lesser facility to operate out of and I just think that we should not put it in statutes. If you want to do that on a piecemeal basis like we've been doing and work out the details and work up the program, that's fine, but don't put it in statutes. Thank you.

PRESIDENT: The Chair recognizes Senator Sieck.

SENATOR SIECK: I'll call the question, Mr. Chairman.

PRESIDENT: The question has been called for. Do I see five hands? I see five of them right in front of me. All right, the question is shall debate cease. All those in favor vote aye, opposed nay. Record the vote.

CLERK: 30 ayes, 0 nays to cease debate, Mr. President.

PRESIDENT: The motion carries. Debate ceases. Senator Warner, you may close on your motion to return.

SENATOR WARNER: Mr. President, members of the Legislature, the issue to vote no on this amendment is not to vote in favor of deterioration of cities. The motion is placed because of the simple question, how long should government subsidize a few selected areas with lower property tax in order that they can pay all their debts. When I speak of other individuals who would be unfairly treated, the homeowner, the land irrigation developer, whatever you want to talk about, commercial development, when they make an improvement on their property they automatically receive an increase in their assessed value and their taxes go up while they are also struggling to pay all the debt. Now I can accept, because it is a part of the Constitution, that as a matter of public policy we are going to say, yes, we will subsidize certain areas for a fifteen year period by relieving them of their property tax and in lieu of property tax, spend the money on debt service. But to expand it to twenty-five years seems to me as totally unreasonable, far in excess

than what is necessary and the project is so shaky that it has to be subsidized for almost the full life of the structure from a depreciation standpoint, then it seems to me as has been pointed out, projects should not be done at all. The policy is established in the Constitution but to expand it to a period of twenty-five years seems to me to be an unreasonable request to the balance of the property taxpayers in a community to have to be picking up the total cost for that debt service retirement and I would hope that the body would support returning the bill to be indefinitely postponed.

PRESIDENT: Senator Goodrich, for what purpose do you arise?

SENATOR GOODRICH: A question of Senator Warner if he would yield, please.

PRESIDENT: We have ceased debate but for what purpose do you ask the question?

SENATOR GOODRICH: In his presentation he gives an impression that we are eroding the tax base and my question to Senator Warner is, that if a property for example, is on the tax rolls right now and producing, say, \$1,000 per year in tax base and we redevelop that property so that it then produces a tax base of \$10,000, we are earmarking \$9,000 of that to pay the bond, how are we eroding the original tax base of that property? If we don't redevelop it it will not be any increased tax at all. It will continue at a \$1,000 or less and less and less.

PRESIDENT: This is close to being debate and, Senator Warner, if you want to answer it, you may. If not, it tends to be a continuation of debate but if you want to, it's up to you. Feel free if you want to answer it, otherwise we'll go ahead.

SENATOR WARNER: Gosh I started out and now I want to take up a lot of time. Mr. President, I'll respond to the question and I would reemphasize that you are eroding the tax base potential of that community. There isn't any question about it. Now you can argue, if you would make a comparable piece of property, the guy in the next block, he makes an improvement, not under these conditions and his property tax is going to go up and in that sense you have eroded the property tax base as far as I'm concerned. At least, without any question, you have eroded the potential for the property tax base in that community. And if you have eroded the potential you have, in fact, eroded it. So I would stand by my words and understanding that you could quibble a little about it perhaps, but the fact remains,

the bottom line, that I see no justification to subsidize for a period beyond fifteen years which is already permitted. To go to twenty-five makes no sense at all. I yield ten seconds of my time to Senator Beutler since it was reopened.

PRESIDENT: All right, Senator Beutler, and then that will do it. We will then conclude our close.

SENATOR BEUTLER: Just in response to Senator Goodrich's question, another way that it erodes the tax base is the tax increment financing makes the assumption that the project that is funded by tax increment financing would not otherwise be built but that is a false assumption. An office building, many commercial buildings, many types of buildings are going to be built whether there is tax increment financing or not and when they are built they are taxed. So there is a false assumption in just saying that the only tax base we had was the low tax base and so there is no loss. There is a loss because most of those projects, to some extent, maybe not to the same extent, but most of those projects would be built anyway and they would be taxed and they would share in the tax burden. Thank you.

PRESIDENT: All right the question is the motion to return LB 672 to strike the enacting clause. It's for the motion of an amendment to strike the enacting clause. All those in favor vote aye, opposed nay. I remind all the members we are on Final Reading. You're supposed to be at your desks and I don't suppose everybody is there because not everybody is voting. Senator Warner, do you wish to do anything? Record the vote.

CLERK: 17 ayes, 24 nays on the motion to return the bill, Mr. President.

PRESIDENT: Motion failed. Any other motions?

CLERK: Mr. President, Senator Wesely would move to return the bill to Select File for a specific amendment. The Wesely amendment would strike "25" and insert "20".

PRESIDENT: The Chair recognizes Senator Wesely.

SENATOR WESELY: Mr. President, members of the Legislature, I'll try and be very brief. We've discussed this matter quite at length. It's clear from the vote that we just had there is a lot of opposition to this legislation and it needs 30 votes to go on the ballot. I would like to offer a compromise that 25 is far too long but 20 makes a lot more sense if we're going to have to extend it and I would be willing to

offer that to see if we can't lower that down to 20 years so that we do extend it for five more. I understand there are some problems but at least we don't go all the way to 25 or 30 years as was originally contemplated. That is all the amendment would do and I ask your support for it.

PRESIDENT: Before I call on the next speaker the Chair would like to introduce a guest of Senator Hoagland. He is under the South balcony, Mr. Richard Canfield from Omaha. Would Mr. Canfield stand up and be recognized and welcome to your Legislature. The Chair recognizes Senator Goodrich.

SENATOR GOODRICH: Mr. President, members of the body, I rise in opposition to the Wesely amendment and I do that for one specific reason and that is that your local governing body, whether it be the city councils or your county board, makes the decision of what term to allow on these bonds. That is a decision that is made by your local city council or your county board, whoever is promoting a project or whoever is asked to approve the project, rather. Just because you put 25 years in the constitutional amendment that doesn't mean, for example, that we have to have every project be 25 years. If the local governing body doesn't want 25 years they will say, no, we won't go for 25 years, we will only go for 20 years or we will only go for 15 years or we will only go for whatever period of time they set on it. So there is no merit in this particular amendment because that decision, all we're doing is giving to local city council the flexibility and they can make that decision as to what the term is. That decision will be made on the feasibility of the project. If it's a project that the local community wants to do and the local city council wants to have the project go through, they can make the decision on the financial prospectus of the project as to what term to allow. So we're just giving flexibility to the local city council. That...we're not... just because we put it in the Constitution they can go up to 25 years, that doesn't mean they have to. That just means they have that flexibility. So regardless of what time you put in the constitutional amendment we will actually control that later through our city councils and I would oppose this amendment.

PRESIDENT: The Chair recognizes Senator Schmit.

SENATOR SCHMIT: Mr. President and members of the Legislature, I rise in support of the Wesely amendment. I don't believe it is as good as it was before with the 15 year procedure. I'd just like to call attention to the fact that Senator Beutler pointed out, when you say the project

will not be built without this kind of incentive, do you assume that the property has absolutely no value and will remain forever barren? Now if the law of economics works and you know we bring that law into play whenever we want to use it, and I do it myself sometimes, then we disregard it when we don't want to use it. At some point in time the value of the property descends to the area where a businessman will pick it up and do something with it. The facts are that it is amazing to me that in this state we find ourselves from time to time castigating certain businesses or certain individuals who are willing to invest large amounts of money and I'm going to just be specific here and that is in the development of farm land they invest large amounts of money, hundreds of thousands, maybe millions of dollars. That land immediately goes on the tax roll at the inflated value. The property that is used to enhance it is taxed. If there is personal property on it we pay sales tax on it when the property is purchased and that contributes to the tax base. The income that is earned by the people who build those pieces of equipment adds to the tax base of the state. So in this one instance, in the agricultural instance, I want to point out we do not have that type of exemption. We're not asking for it, but we are saying that in certain specific areas if you happen to be located in a certain specific block you can obtain a substantial advantage whereas your neighbor in the next block does not have that advantage. It would be interesting if you would take...I'd like to ask Senator Goodrich sometime in the future if he would show the true cost of some of this type of construction when you take into consideration the tax forgiveness that is embodied in it for even a fifteen year period. I think you will find that it is a substantial reduction in the true cost of the property. Now if that is what you want to do, then you perhaps have the votes to do it but you ought to know what you are doing and you ought to know that at the time you are doing it, you are doing it for the benefit of a few at the expense of many and I think the twenty year proposal of Senator Wesely is very, very generous and it certainly ought to be sufficient to attract any kind of construction you need.

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Call the question, Mr. Speaker.

PRESIDENT: The question has been called for. Do I see five hands? I do. The question is, shall debate cease. All those in favor vote aye, opposed nay. Have you all voted? Will everybody return to your desk. We are still on Final Reading. The question is, shall debate cease on the Wesely motion to return. Record the vote.

CLERK: 26 ayes, 15 nays to cease debate, Mr. President.

PRESIDENT: The motion carries. Debate ceases. Before Senator Wesely closes on this.....Senator Apking, we have some twelve students from...very special students I think you would like to introduce yourself so I'll just let you introduce your guests.

SENATOR APKING: Mr. President, colleagues, I have twelve students from Ohioa in the North balcony and this is kind of a special town to me because some of my ancestors were early settlers there and this is the last time that we will have students from Ohioa. Their school has bowed to a small enrollment and they will be attending elsewhere next year.

PRESIDENT: Up here in the North balcony and welcome to Ohioa. And we also have from Senator Fowler's district, also in the North balcony, 22 eighth graders from Blessed Sacrament School with Mrs. Rosanne Ruby, sponsor. They are up here. Where are they? Can they wave to us so we can see where they are? Welcome to your Unicameral Legislature. Okay, Senator Wesely, you may close on your motion to return.

SENATOR WESELY: Thank you, Mr. President, members of the Legislature, as you know, the bill as introduced would have had a thirty year payback period. It was amended down to twenty-five years. What I'm asking is to go to twenty. I think that deals with the problems that were brought to the attention of the committee and the members of the Legislature as to the problems of issuing the bonds. I know Senator Newell mentioned he could live with the twenty year period. Would you like to respond to that? I'd like to ask you how you feel about the amendment?

SENATOR NEWELL: Mr. President, Don, I would urge Senator Goodrich to go with twenty years and I think that at this point in time the rehabilitation provisions and the fact that twenty years is probably all that most of the bond issues are ever going to sell for anyways, and that argument hasn't been particularly well accepted, Glenn. Not a lot of people have listened to you when you have said that but I think at this point in time it might be a wise idea to support the Wesely amendment. I would hope, Don, that you would ask Senator Goodrich again, give him maybe a second to think about it, and ask him to help you.

SENATOR WESELY: Senator Koch, I'd like to ask you about your feelings on the matter. Senator Koch.

SENATOR KOCH: Thank you, Senator Wesely. Mr. President, members of the body, as the original introducer of tax increment financing, I went through this battle on the number of years that we were going to forgive the tax. At that time that was three years ago and there are twenty-six states that have tax increment financing. At that time the record was an average of seven years to retire the bonds for the improvement and I think when we're looking at twenty-five or thirty years that is way beyond what I think is reasonable. I'll support this piece of legislation for twenty years because the record is very clear and I still have my files on the original bill down in my office. You can't tell me in a matter of three years we've gone from a seven year average to repay the bonds up to a point where it is almost beyond belief. If that's the case, then this Legislature shouldn't support anything but extending it to twenty years. Under those conditions I can accept the amendment and I would support Senator Wesely's amendment.

SENATOR WESELY: Senator Goodrich, did you wish to respond to the amendment?

PRESIDENT: We've got a couple of minutes left. This is a very unique closing but we'll go right ahead. Everything is unique now these days. Go ahead.

SENATOR GOODRICH: For example, I know that we need 30 votes. If, for example, Senator Beutler who has spoken on this issue, Senator Vickers and a few, Senator Cope and that sort of thing, if they will settle for twenty years, I'll settle for twenty years.

SENATOR WESELY: Okay. Finally, I guess I would add that the concern I have is, I like the rehabilitation language. I think that is reasonable. I do think though that twenty-five and thirty year provisions as originally proposed were too long but maybe twenty years is something that we can live with and so I would ask for your support for the compromise amendment at this time. This is a motion to return, however, and then we will adopt that amendment, hopefully. Thank you.

PRESIDENT: The motion then is the Wesely motion to return for the Wesely amendment. All those in favor vote aye, opposed nay. I remind you that we are still on Final Reading and all members are to be at their desks, which I haven't seen for quite a while. Record the vote.

CLERK: 27 ayes, 6 nays on the motion to return the bill, Mr. President.

March 23, 1982

LB 672, 677, 720

PRESIDENT: The motion carries. The bill is returned. Senator Wesely, do you wish to adopt your amendment?

SENATOR WESELY: Mr. President, I move the amendment.

PRESIDENT: Motion to adopt the amendment. Any further discussion? Senator Newell, do you wish to now speak to... no, all right. Senator Wesely, then that is your opening and your closing or do you have a closing? Motion is to adopt the Wesely amendment. All those in favor vote aye, opposed nay. Have you all voted? Record the vote.

CLERK: 29 ayes, 12 nays, Mr. President, on adoption of the amendment.

PRESIDENT: The motion carries. The amendment is adopted. Senator Wesely, do you want to readvance the bill?

SENATOR WESELY: Move for readvance.

PRESIDENT: The motion is to readvance LB 672 to E & R for engrossment. Any discussion? All those in favor of advancing LB 672 vote aye, opposed nay and we'll go to the board. Who moved that? Senator Vickers, yes, asked for a machine vote. Record the vote.

CLERK: 27 ayes, 16 nays on the motion to readvance the bill, Mr. President.

PRESIDENT: The motion carries and LB 672 is advanced to E & R for engrossment. We're now back on Final Reading, I hope. We're on LB 677, Mr. Clerk.

CLERK: (Read LB 677 on Final Reading.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 677 pass with the emergency clause attached. All those in favor vote aye, opposed nay. Record the vote.

CLERK: (Read record vote as found on pages 1373-1374 of the Legislative Journal.) 43 ayes, 1 nay, 2 excused and not voting, 3 present and not voting, Mr. President.

PRESIDENT: LB 677 passes with the emergency clause attached. The next bill on Final Reading, Mr. Clerk, is LB 720.

CLERK: (Read LB 720 on Final Reading.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 720 pass.

March 24, 1982

LR 260
LB 127, 672

PRESIDENT: Any further discussion on LR 260? Hearing none, Senator Kremer, I guess the motion then is the adoption of LR 260. All those in favor vote aye, opposed nay. Record the vote.

CLERK: 30 ayes, 0 nays, Mr. President.

PRESIDENT: Motion carries and LR 260 is adopted.

CLERK: Mr. President, while we are waiting, your committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB...examined and engrossed LB 127 and find the same engrossed, and LB 672 correctly engrossed. (See page 1396 of the Legislative Journal.)

April 6, 1982

LB 127, 127A, 672

ASSISTANT CLERK: 39 ayes, 6 nays, 4 excused and not voting. Vote appears on page 1672 of the Legislative Journal.

PRESIDENT: LB 127 passes. Before we go on to the next bill the Chair would like to introduce some guests of Senator VonMinden, 31 eighth graders from Wakefield School, Wakefield, Nebraska. Mr. Gobel is the instructor. They are up here in the north balcony. Would Wakefield kind of wave to us so we can see where they are? Good morning and welcome to your Legislature to Wakefield. The next bill on Final Reading Mr. Clerk is LB 127A.

CLERK: (Read LB 127A.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 127A pass. All those in favor vote aye, opposed nay. Record the vote.

CLERK: 34 ayes, 12 nays, 3 excused and not voting. Vote appears on page 1672-73 of the Legislative Journal.

PRESIDENT: LB 127A passes. The next bill on Final Reading is 672.

CLERK: Mr. President, I have a motion on the desk.

PRESIDENT: Read the motion.

CLERK: Mr. President, Senator Beutler would move to return LB 672 to Select File for a specific amendment. That amendment being to strike the enacting clause.

PRESIDENT: Chair recognizes Senator Beutler.

SENATOR BEUTLER: Mr. President, members of the Legislature, very quickly, this bill, as you may recall, would expand tax increment financing in two different ways. It would add rehabilitation as another type of activity that could be financed by this type of financing and it would extend the number of years for which you could issue these bonds from fifteen to twenty years. I have filed the motion to return to Select File to kill it, basically to pass on to you some additional information before you vote. I will withdraw the motion eventually here and we will vote on it. But I did send off for some materials from the State of Minnesota which is heavy in to tax increment financing and I have passed out to you an article entitled

"Public Assistance for Private Redevelopment Growing Fast" which I think has some interesting points in it. This is information that came from the State of Minnesota. There law is very similar to ours except that for some types of tax increment financing they allow 25 and 30 year redevelopment projects, for other types they only allow ten years. But what I wanted to tell you is to give you an idea of how fast this type of thing can grow and what it means, if you don't keep a close eye on it and if you don't watch it and deal with it conservatively. In 1974, when this law was enacted or these type of laws began to be enacted in the State of Minnesota, there was one and a half billion dollars worth of property that was set aside and not taxed in that particular year. Seven years later, in 1981, the one and a half billion dollars had grown to 36 billion dollars. In 1974 there were four cities in the State of Minnesota using it and in 1981 there were one hundred cities using it. Now, the State of Minnesota is engaged in deep controversy on problems that are developing with losses to the different tax bases of the cities and the local political subdivisions. They have also gotten into the problem of blight, and what is blight. There have been law suits, one recently this year, where the definition of what was blighted, they have a broad definition but even at that they were going beyond it and stretching the definition and a taxpayer succeeded in killing one particular project. But, they have gotten around the blighted law now by enacting other forms of tax increment financing that allow not only for the redevelopment of blighted projects, but for economic development generally. So, it is a thing that keeps growing. I think it is bad policy to begin with myself, but at any rate, I think we should go very slowly on it in Nebraska, the law is relatively new here in Nebraska, just a couple years old, I think we should hang on for awhile and see how it works just the way it is, and not increase the tax levies for the different political subdivisions. Take a look at how the tax levies in different political subdivisions have increased because of tax increment financing. I think it just illustrates the point that when you take certain property off the tax roll the remaining property taxpayers in an area are the ones picking up the cost. This exacerbates the property tax problem for those who remain. Not only does it do that but it is a cost to the cities and it results in the cities having to forego other types of public assistance programs, such as perhaps parks or public works. So, there is a cost. Finally, in conclusion all I'm asking you to think very seriously about is staying as close to the private enterprise system as we reasonably can in this state until we are absolutely

April 6, 1982

LB 672, 605

sure that these newfangled taxing mechanisms are really for the benefit of the public and the people, let's wait, let's go slow, let's see what happens in Minnesota, learn from their experience and let's not enact this bill at this point in time. With that, Mr. Speaker, I would ask unanimous consent to withdraw the motion to return to Select File and ask that we proceed to vote on the bill.

SENATOR MARSH: Before action is taken on that I would like to register a protest for our Final Reading time to be used in this manner.

PRESIDENT: All right, your protest is noted. Okay, you have withdrawn your motion, Senator Beutler. Before we go to the reading of 672, the Chair would like to introduce some twelve seniors from Senator Beutler's district, Lincoln High School, teacher Ruby Grell, they are up here in the north balcony. Welcome Lincoln High, sons and daughters of the Red and Black. Welcome. We will now read, Mr. Clerk, on Final Reading LB 672.

CLERK: (Read LB 672.)

PRESIDENT: All provisions of law relative to procedure having been complied with, the question is, shall LB 672 pass. All those in favor vote aye, opposed nay. Have you all voted? Three are excused. Senator Beutler, do you wish to. . . Senator Goodrich, excuse me. Senator Beutler doesn't care. Senator Goodrich, I ask you if you want to do anything. Well you can have a. . .

SENATOR GOODRICH: There are three excused.

PRESIDENT: A roll call if he wants to, that is all. That is all he can do.

SENATOR GOODRICH: Are there three excused?

PRESIDENT: Three are excused. That is it. Record the vote then.

CLERK: 28 ayes, 18 nays, 3 excused and not voting. Vote appears on pages 1674-75 of the Legislative Journal.

PRESIDENT: LB 672 not having received the constitutional majority necessary to place it on the ballot as a constitutional amendment, fails. We will go on to LB 605.

CLERK: (Read LB 605.)

April 6, 1982

LR 333, 334, 335
LB 761, 358, 672

SENATOR CLARK: Do you want to accept call ins?

SENATOR HOAGLAND: I hate to go to a roll call unless we have to (interruption).

SENATOR CLARK: Senator Warner.

SENATOR WARNER: Mr. President, I was just wondering, since we have about, what is it, 14 negative votes, is that...

CLERK: Senator Schmit voting no. Senator Labeledz voting yes. Senator Lamb voting...still voting no. Senator DeCamp voting yes.

SENATOR CLARK: Does anyone else wish to vote?

SENATOR HOAGLAND: Roll call.

SENATOR CLARK: A roll call vote has been requested. The Clerk will call the roll.

CLERK: (Roll call vote taken. See pages 1695 and 1696, Legislative Journal.)

SENATOR CLARK: The Call is raised.

CLERK: The Call has been raised. I can't take your vote, Senator. 22 ayes, 21 nays, Mr. President.

SENATOR CLARK: Motion lost. Next motion. Yes, go ahead and read some things in. The Call is raised.

CLERK: Mr. President, very quickly, I have an explanation of vote offered by Senators Cullan and Carsten.

Study resolution, LR 334, offered by Senator Schmit and Kremer calls for a study the alternatives of funding water projects, both large and small scale in the State of Nebraska. A study resolution by Senator Koch calls for a study of the philosophy and intent related to the role and mission of the Nebraska Common Schools (LR 333). LR 335 offered by Senators Fowler, Rumery, Goodrich, Warner, and Cullan calls for a study of the various aspects of retirement plans for public employees of the State of Nebraska.

And, Mr. President, Senator Schmit would like to print amendments to LB 358 in the Legislative Journal.

And, Mr. President, I have a motion from Senator Kilgarin to reconsider the vote on Final Reading of LB 672 this morning.

April 16, 1982

LB 672

SENATOR CLARK: We are now ready for item number six, the motions. The first motion is 672, to reconsider.

CLERK: Mr. President, Senator Kilgarin would move to reconsider the vote on LB 672 on Final Reading.

SENATOR CLARK: Senator Kilgarin.

SENATOR KILGARIN: Thank you, Mr. President and colleagues, I would just go ahead and give my time to Senator Goodrich.

SENATOR CLARK: Senator Goodrich.

SENATOR GOODRICH: Mr. President, members of the body, LB 672 is a constitutional amendment that we took a vote on the other day but some members were absent and we didn't get the full vote. It takes 30 votes to pass a constitutional amendment to place it on the ballot in November. The constitutional amendment itself deals with the tax increment financing bonds extending the terms from 15 years to 20 years. You will recall, for example, that we developed a problem on selling some of these bonds where the interpretations of the bond house in New York was the trigger date was the date on which the project was announced and by the time they developed the plans for the project the...get a developer, get the financing all lined up, get everything done, a year and a half to two years can pass and consequently they don't have a full fifteen year bond period left. So consequently we were increasing the length of time to write the bonds up to 20 years so that there would be at least a full fifteen year period left. You will recall that when I introduced it we introduced it from 15 years up to 30 years. That was amended twice on the floor to reducing it back down to 20 years and then also later on we included the word "rehabilitation" so that the bonds could be used for the rehabilitation of existing structures and Senator Vard Johnson will talk to that particular point. That was his amendment, actually his bill that was amended into it and the reason for the amendment into this bill was because the Constitutional Revision Committee decided that there would be too many issues on the bond issue and it consolidated the two of these together. That is what they suggested which I have no objections to and I just wanted to take a new vote on this thing and get it passed so we can get it on the ballot in November. I would like to turn it over to Vard Johnson now to explain the other part of the rehabilitation portion.

11005

SENATOR CLARK: Senator Johnson, you have two minutes left.

SENATOR V. JOHNSON: Mr. Speaker, members of the body, one of the other aspects of 672 is that it does expand the current language for community redevelopment financing to make certain that the concept of rehabilitation as well as simply acquiring and redeveloping property is included. One of the important things about this feature in our Constitutional amendment is that there are many properties that are good candidates to be rehabilitated. In fact, I think it is basically wrong in a conservationist era which we clearly ought to be moving into, to establish a community development financing program that only allows cities to acquire and redevelop property but seemingly prohibit cities from rehabilitating property. As you may recall the example given when we discussed this bill on Select File was that of the Cornhusker Hotel, which is currently being financed through, in part, tax incremental financing. Had this particular provision been in place the Cornhusker Hotel would not have needed to be blown up and rebuilt, rather because of the rehabilitation language it could have been restored from the inside out. That is true for a number of properties that we have in Omaha. I see that Senator Chambers has passed out a pamphlet here condemning some rehabilitation activity in our community without any question. As with any type of construction activity, any kind of work activity, there are always some short comings. But, a short coming does not a bad law make. I would encourage this body to honor Senator Kilgarin's request to allow this matter to be reconsidered and to then send this bill to the voters for their consideration on the general election ballot.

SENATOR CLARK: Senator Goodrich, do you have anything else to offer? Senator Chambers.

SENATOR CHAMBERS: Mr. President, members of the Legislature, Senator Johnson is quite right when he mentions that I handed out a pamphlet as he termed it about rehabilitation projects in Omaha. This that I gave you today is not an isolated example. This lady contacted me, the one who is the subject of this paper, where work not done for was approved by the city for payment, where work improperly done was approved by the city inspector and paid for. When this item was carried as a news story on Channel 7, other people who had had this kind of butchery done on their homes began to contact me and I have not been able to put it all into a presentable form to you, but I was able to get one of the cases an additional one together along with the work write ups and statements

written by the city as to the number of substantial corrections that had to be made in the work that was done on one of these houses. I think it would be a mistake when you have a city program flopping in the way this one is to authorize the city to declare other areas blighted and substandard and take them by the power of eminent domain from the people who live there or own the property and damage it in the way that these houses have been damaged that are a part of the current housing relocation. . . rehabilitation program. I have talked directly with an FBI agent in Omaha. They are interested in this and I'm sure that an investigation will be undertaken. The program involves millions of dollars, hundreds of houses. They have done things such as being paid for a new overhead garage door and the original door would be painted over and resold back to the homeowner. Remember the homeowner in most cases has to take out a loan and pay for this which is her own property in the first place. It shows how many things that were written up in the work write-up were not done at all. Anybody who is a lay person could go on these jobs and see that the work was not done. But, despite this, the City Inspector approved, not only the undone work, but the payment from the person's loan funds for this work not done. There is a provision in some of the legal documents that go along with these kind of jobs that the Director of the Department of Housing and Community Development in Omaha must give specific prior approval to progress payments before they can be given. The approval was given, the payments were made, but now everybody is beginning to say that they didn't know such bad shabby work was being done. Nothing has been done to the particular inspector named Bangston who not only does the inspecting, approving of this nonconforming work, but he makes the estimates on which bids are taken to determine the amount of a loan. Then he does the work write-up and then he approves the nonconforming work and payment for work not done at all, yet nothing has been done about him. These are the kind of things that are happening. We don't know on how wide spread a scale. I'm hoping that the FBI investigation will disclose that. If it is substantial enough in the same way that bid rigging cases have resulted in indictments, I think that ought to be the case in this instance too. Whenever public money or federal money, to be more specific, is taken in the fashion that has been taken through this program fraud is there. Misrepresentation is there. It would be stealing if somebody off the street walked into a store and took it out of the cash register. So I think it is nothing less even though it is done through the administration of the

city and its agents. As a matter of fact, it is worse. I voted against LB 672 and I'm going to continue to vote against it and I wanted an opportunity to put something into the record about this fiasco in Omaha so that the Legislature will have been given formal notice. As I have done on other matters, as the summer wears on, I'll probably wear you out by. . .

SENATOR CLARK: You have one minute left.

SENATOR CHAMBERS: . . .keeping you informed, thank you Mr. Chairman, of how this case is progressing. But, if it turns out to be the type of thing that some of us think it is, you won't need to be kept informed by me, the news media which often sleeps on these things and does not see the significance to them until they explode in their face may do their job and keep you informed. Now to be specific, I think that LB 672 ought not to be reconsidered. There are reasons other than the ones that I have given such as those discussed by Senator Wesely and others when the bill was originally considered. That is all that I have to say on this bill and I hope that you will vote against the reconsideration motion.

SENATOR CLARK: Senator Goodrich, do you wish to close?

SENATOR GOODRICH: Yes, Mr. President and members of the body, the type of activity that Senator Chambers is talking about is under a federal program, it is an entirely different program than this kind of rehabilitation of large structures in the inner city of downtown or whether it be Lincoln or Omaha or Grand Island or North Platte or anywhere else. This is, the ones that he is referring to is a specific housing program which he is absolutely justified in saying the comments that he says because of the fact that it is a mess but that is a completely different program than this particular rehabilitation type of work would be carried out under. These jobs would be completely bonded and the rehabilitation of downtown type areas is what we are after in this particular bill. I ask your reconsideration of this particular bill with the. . .a vote in favor of this reconsideration. Thank you.

SENATOR CLARK: The question before the house is the reconsideration of LB 672. All those in favor vote aye, opposed vote nay. It takes 30 votes. Have you all voted? Once more, have you all voted? Record the vote. Senator Goodrich.

SENATOR GOODRICH: Mr. President and members of the body, I'm afraid I have got to ask for a Call of the House and a roll call vote.

April 16, 1982

LB 672, 115

SENATOR CLARK: A Call of the House has been requested. We are on Final Reading, I don't know why we would need that, but everyone can check in. Has everyone checked in please? We have two excused. Did you want a roll call vote? The Clerk will call the roll if we can keep it quiet enough to hear the response please.

CLERK: Roll call vote. 29 ayes, 19 nays, 2 excused and not voting. Vote appears on page 2010 of the Legislative Journal.

SENATOR CLARK: Motion lost. The next motion is on LB 115. The Call is not raised. We are on Final Reading.

CLERK: Mr. President, Senator Wiitala moves to reconsider 115 on Final Reading.

SENATOR CLARK: What I am trying to do, Senator Vickers, is hold them in their seats. Senator Wiitala.

SENATOR WIITALA: Thank you, Mr. Chairman. Mr. Chairman, colleagues, I am asking you to reconsider LB 115. It was considered a few short days ago and failed on Final Reading, largely I feel because people, at least it was communicated to me by several colleagues that workmen's compensation was misunderstood, that it was confused with unemployment compensation. So I would like to have it get a clear hearing today if I could. As you understand probably, if you know anything about labor history, workmen's compensation came out of the difficulties of the job experience where employees sometimes encountered injury on the jobs a lot of times due to their negligence, a lot of times the negligence of their employer. These injuries a lot of times resulted in endless litigation between employer and employee. The workmen's compensation program really is a truce, it is a truce between employer and employee. In some respects it is a two-edged sword. Basically it establishes a limited liability policy for the employer so that in cases of accidental injury that "humongous" law suits are not launched against the employer and thereby putting him and the employees out of work. But it also recognizes the needs of laborers, employees, that when they are injured irrespective of how they were injured that compensation would be given. This bill is close to my heart, at least the \$10 increase that it proposes, an increase in the maximum level. It does not mean that each employee who is receiving benefits gets a \$10 increase. It simply means that at the maximum level possible that it be increased \$10. The reason I said it is so close to my heart is because I had a close relative, my brother, who was in a management position but an employee nevertheless

11009

CLERK: Senator Chambers, 413? All right. In that case the next motion I have is offered by Senator Vard Johnson. Senator Vard Johnson would move to suspend Rule 7, Section 7 to permit reconsideration of LB 672.

SENATOR LAMB: Senator Johnson.

SENATOR JOHNSON: Mr. Speaker, members of the body LB 672 is a constitutional amendment that would permit cities to engage in rehabilitation financing through the tax incremental financing method. This measure has received 29 votes, it needs 30 to be able to be submitted to the voters. It is a sound measure and frankly what it deals with, in my opinion, is the most important thing is that it authorizes our cities to engage in some rehabilitation projects, virtually all of which today are funded federally. They are not funded with city money. This will allow the use of city funds for the important purpose of preserving and conserving our cities housing stock, our cities commercial stock and what have you. Rehabilitation activities are extraordinarily important to the life and vitality of our communities. For us not to give this measure to the voters, in my opinion, is for us to continue to sap at the bloodstream and the well being of our cities. This does effect all cities in this state, whether they be Scottsbluff, whether they be Imperial, Grand Island, Norfolk, Omaha, Lincoln and what have you. I know that this body is now tired in its very last minutes, but I would ask that you provide the thirty votes so we could reconsider this matter and we could then send this matter on to the voters.

SENATOR LAMB: Senator Newell.

SENATOR NEWELL: Mr. President, this is an important constitutional amendment. It does not authorize a new program, it basically allows rehabilitation to be used for tax increment financing. In Omaha, Nebraska, the place where the city is planning to use this is in the older neighborhoods where there are a number of poor people, where the programs have been cut, the community block grant programs have been cut primarily for housing rehabilitation for some of the poorest of the poor for weatherization, for new roofs, etc. This is an important amendment. I would urge this body consider the importance to a lot of people who have very few other resources. I urge the reconsideration of this proposal.

SENATOR LAMB: Chair recognizes Senator Hefner.

SENATOR HEFNER: Question.

April 16, 1982

LB 672

SENATOR LAMB: Question has been called for. Do I see five hands? I do. Those in support of ceasing debate vote aye, those opposed vote no. Record.

CLERK: 28 ayes, 1 nay to cease debate, Mr. President.

SENATOR LAMB: Debate is ceased. Senator Johnson. Motion is to suspend the rules. Those in support vote yes, those opposed vote no.

CLERK: Senator Lamb voting no.

SENATOR LAMB: Have you all voted? Record. Senator Johnson.

SENATOR JOHNSON: I would ask at this time that we check in and I would ask for a roll call vote.

SENATOR LAMB: Please record your presence. A roll call vote has been requested. Please call the roll.

CLERK: Roll call vote. 30 ayes, 14 nays, and 5 excused and not voting. Vote appears on pages 2020-21 of the Legislative Journal.

SENATOR LAMB: Rule is suspended. The bill has been read. A Constitutional amendment. It takes 30 votes. Those in support vote yes, those opposed no. Senator Warner for what purpose do you rise?

SENATOR WARNER: Could you refresh my mind, what rule was suspended, was it. . . don't we now have a motion to reconsider? Which rule did you suspend? I thought it was the unanimous consent one for reconsideration.

CLERK: Rule 7, Section 7, Senator.

SENATOR WARNER: Does what?

CLERK: That is the reconsideration motion for rule.

SENATOR WARNER: For unanimous consent? Which rule, that is all I am trying to find out.

SENATOR LAMB: Senator Warner, the Clerk informs me that it is his understanding that it was not only to suspend the rule but to reconsider all in the same motion.

SENATOR WARNER: I didn't know you could do that. Is the Chair ruling that that can be done?

SENATOR LAMB: No, I think at this point we will have another vote and this will be the vote on . . . the rule is suspended so we can reconsider. Now at this point I believe we ought to have another vote to reconsider.

SENATOR WARNER: Which I assume is debatable.

SENATOR LAMB: Yes, sir. Senator Beutler.

SENATOR BEUTLER: Mr. Speaker, members of the Legislature, I would like to speak against reconsidering. Last time around in debate we only heard from the proponents. I didn't realize that everybody was getting so tired that they decided they were going to give in. We have been bludgeoned with this issue now twice today I think, was it twice today... already, this is the third time. I urge you not to give in simply because you are getting tired. Let me remind you we are talking about tax increment financing, we spend a great deal of time earlier discussing the problems they are having in Minnesota right now with tax increment financing, we discussed in some length, you may recall, the tax shift from property owners and large developers, using this device, to other property owners, to the loss of the tax base the different communities in Minnesota were suffering. I want to urge you again to go slow on tax increment financing, not to open it up to the major area of rehabilitation, let's see how it works for a few years. We have just actually had it for one or two years here in Nebraska now. I would urge you also not to extend the length of the bonds from fifteen years to twenty years. There is no emergency existing, we have carefully and thoughtfully debated the policy questions heretofore, and I just urge you to bring to mind again all those arguments, as tired as you are, and try to make a good judgment on this issue rather than allowing a few people to come back at you time and time and time again until you give in and just do it. Please think this through one more time. Thank you.

SENATOR LAMB: Senator Newell.

SENATOR NEWELL: Mr. President, members of the Legislature, I can appreciate the weariness of the body and I'm sure that it is weary, it is 9:00 and we are still not out. But the issue here is one that is very important. It is very important to many people throughout this state. The issue is whether or not rehabilitation can be used on a mechanism that already is established and already is in place and that is the tax increment financing mechanism. Now what our cities

are facing today, is a lack of revenues. We have seen community block grant funds being reduced, we have seen many changes in the federal social programs. The proposal here, the desired use of this project or this proposal, and this is a constitutional amendment, its limitations, its purposes, all those sorts of things will be clarified by legislation. But the purpose here is to use tax increment finance to help rehabilitate the homes of poor people. Now I want to recall or I would like to have this Legislature recall that in fact these are the people that have the most difficult, difficult time. The rehabilitation, the use of this tax increment financing mechanism will work for rehabilitation for weatherization, to put new roofs on the houses of the poor, and for that Senator Beutler, I think we can, we can go too slow. You will find, if you are willing to propose or if you are willing to provide the additional revenues needed through state funds or some other financing mechanism, I would appreciate knowing about that and having your assistance to do that. But, in the absence of those kinds of assistance, in the absence, and in the cut backs in the federal funds and federal programs we have to provide for our most needy citizens. That is what this constitutional amendment would do. We can write the rules and regulations at a later time, Senator Beutler, and if you want to limit them to only those uses or if you have all of these other big bug-a-boos and fears, well I'll support you in that endeavor, but this is a constitutional amendment to try to use that in an area that is desperately needed.

SENATOR LAMB: Senator Chambers.

SENATOR CHAMBERS: Mr. Chairman and members of the Legislature, remember I handed you that material earlier about how Omaha is botching up a rehabilitation program that they are administering now. I have told you that I have been in touch with the FBI and they are interested into looking into what Omaha has been doing. Now, they have had to redo the work over and over again. Double expenditures of taxpayers' money. How do Senator Newell and Senator Goodrich deal with this? They say, that is a federally funded program, implying that it is all right to mess up federally funded programs, mess up the people who are to be the beneficiaries. But, they seem to be implying that if you enact this particular law, and allow it to be placed on the ballot and the people accept it, Omaha who now is botching these programs will suddenly clean up their act and do what ought to be done. If there is to be an investigation, let that investigation go forth. Let us see whether Omaha is even capable of administering

a rehabilitation program. Neither Senator Newell or Senator Goodrich or Senator Vard Johnson can point to a single on-going rehabilitation program in Omaha right now which is worthy of the name. They have to always tell you if you do this then in the future Omaha is going to do better. Yeah, they messed up their finances, but give them this tax and they will do better. Yeah, they are messing up this rehabilitation program but give them another chance and they will do better and it is always in the future and always just around the corner, just over the hill at the end of the rainbow. Well I live in a district which has been victimized by a lot of these Omaha bunglings and I'm opposed to this bill, I'm opposed to Senator's Johnson, Newell, Goodrich putting the City of Omaha in a position to use their powers of eminent domain to take property from people who don't want to see it, saying that they are going to redevelop that area. For whom? Not the people who have been removed. This tactic was used to take the homes of some people so that Boys Town could build a school. The area had been declared blighted by the city. It was one of those areas entitled to federal rehab money but because Boys Town wanted to get it, the city marked that area off and said the people who lived right in these blocks can not get that rehab money. That meant their housing fell even further below standard, they could not get loans to upgrade it so they were forced to move and Boys Town is now building. It is in the middle of a black community. We were told about the jobs, the uplift it would bring to the community and I drove past it just the other day because they are right in the middle of construction. I want Senator Johnson to loan me his eye glasses because I didn't see a black person working on the job. Again, I'm sure they will tell me, Well Ernie, the next project we will do better. They told us when the 17 million dollars of block grant money went into downtown Omaha instead of the communities where it should have gone that we would have black people working. There were no black people on those jobs downtown. So, what is the next project? The North Freeway. There will be some working there. It is always the next time. I wish that there were some way that I could open you all's minds so you would think about this issue and see it for what it really is. But, remember, the rehab program that they have right now is sticking it to poor people. The lady whose case that I gave you, Mrs. Johnson, got a \$24,500 loan on a house that might be worth \$8,000. When the interest or the finance charges are added to it the total cost will be over \$32,000. She had to mortgage her home. Now she is not going to be able to pay off that amount of money. The city has the paper. It is another way for them to take the property. So before you

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give Omaha the power to do any of these things in addition to what they are doing now, let them show that they are able to handle what they already have. That is why the Omaha senators can not come to you with evidence in documentary form like I present to you.

SENATOR LAMB: Thirty seconds, Senator.

SENATOR CHAMBERS: If they had the documents they would lay it on your table and show you how many successful programs they have, but they can't do it. I go to the trouble and give you the documentation, so I'm hoping that you will take it into consideration at this time and vote against this reconsideration.

SENATOR LAMB: Senator Koch.

SENATOR KOCH: Mr. Chairman, I move the previous question.

SENATOR LAMB: Do I see five hands? I do. Those in support of ceasing debate vote aye, those opposed vote no. Record.

CLERK: 27 ayes, 1 nay to cease debate, Mr. President.

SENATOR LAMB: Senator Nichol, for what reason do you rise?

SENATOR NICHOL: Mr. President, didn't I have my light on?

SENATOR LAMB: Yes, it is way down the list.

SENATOR NICHOL: Wasn't I ahead of Senator Koch?

SENATOR LAMB: Not on our list.

SENATOR NICHOL: Okay.

SENATOR LAMB: Debate is ceased. Senator Johnson to close.

SENATOR V. JOHNSON: Mr. Speaker, members of the body, let me make it very short. The first sentence of this constitutional amendment would read as follows: "For the purpose of rehabilitation, acquiring or redeveloping substandard or blighted property in a redevelopment project as determined by law, any village or city of the state may notwithstanding any other provisions in the constitution and without regard to charter limitations and restrictions issue indebtedness whether by bond, loans, notes, advance of money or otherwise."

The second sentence says, "In addition, it may also use tax incremental financing." I can take Senator Chambers and other members of this body to rehabilitation projects in the City of Omaha that have been very effective, that have taken houses in my legislative district, for example, and have improved them dramatically through the use of federal dollars. Because the city is not in a position to use its money, because of its charter limitations and because of other constitutional restrictions, this will provide an exception to other constitutional restrictions to the extent that, to the extent that there are problems in rehabilitation projects, Senator Glen Goodrich has just come over and he has just authorized me to state very simply that he will do whatever he can, in his power, to remove interference with any official in the City of Omaha who is causing work to be done improperly or inspections to be done badly. But that really is not the issue. The issue simply is this. If we want to upgrade the stock of housing, if we want to make certain that we have good projects, then this is an important constitutional amendment. I would ask you to vote to reconsider, so we may then submit this issue to the voters.

SENATOR LAMB: The motion is to reconsider, those in support vote yes, those opposed vote no.

CLERK: Senator Lamb voting no.

SENATOR LAMB: Have you all voted? Have you all voted? Record. Senator Johnson.

SENATOR JOHNSON: I would ask again that our members check in and we do a roll call vote.

SENATOR LAMB: Roll call vote has been requested. Will all senators record their presence. All members are present. Please call the roll.

CLERK: Roll call vote. 27 ayes, 15 nays, 1 present and not voting, 6 excused and not voting. Vote appears on pages 2021-22 of the Legislative Journal.

SENATOR LAMB: Motion fails.