

February 2, 1981

LB 165, 82, 27

as you well know, we have various classes of cities and we pass laws which affect one class of city, do not affect another class of city. We have various classifications of counties. We pass laws that affect one classification of county, do not affect another. We have the same situation in school districts. We have several classes of school districts and that is...we have many different laws which affect different school districts differently. So we are not charting new ground. We are doing what we have been doing all the time and I think it is justified because there are different situations in different areas and they should be treated differently. Now these classifications are not perfect but they are an attempt by the Legislature to deal with the differences in the various areas of the state. I think they do a fairly good job and I think we should continue to take into consideration the different conditions in these different areas. I might call to your attention the fact that the State School Boards Association supported this bill and the real issue is this: Should the state mandate programs without providing the money to fund them? I say that they should not. I say that this bill should be advanced and I ask you to vote in support of it.

SPEAKER MARVEL: The motion is the advancement of LB 165 to E & R for review. All those in favor of that motion vote aye, opposed vote no. Have you all voted? We are voting on the advancement of the bill. Record.

CLERK: 26 ayes, 13 nays on the motion to advance the bill, Mr. President.

SPEAKER MARVEL: The motion is carried. The bill is advanced. Are you ready for the next bill?

CLERK: Yes, sir. May I read some things first?

SPEAKER MARVEL: Yes. The Clerk has some items on the desk and then we will go to 178.

CLERK: Mr. President, a few items, a new resolution, LR 12 by Senator Wesely. (Read LR 12 as found on pages 388-389 of the Legislative Journal.) That will be laid over, Mr. President.

Mr. President, your committee on Miscellaneous Subjects whose chairman is Senator Hefner to whom is referred LB 27 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File; LB 82 to General File, (signed) Senator Hefner.

February 3, 1981

LR 9, 10, 12

PRESIDENT: Motion carries and the Legislative Resolution 9 is adopted. We will proceed then to Legislative Resolution #10, Mr. Clerk.

CLERK: Mr. President, LR 10 found on page 352 of the Journal was offered by Senator Rumery and Senator Cone. (Read.) Again, Mr. President, found on page 352 of the Journal.

PRESIDENT: The Chair recognizes Senator Rumery.

SENATOR RUMERY: Mr. President, members of the Legislature, Mr. President, I wonder if we might have a little quiet around here.

PRESIDENT: All right. I think it is probably a good idea. We are getting a terrible roar. (Gavel) Could we have a little bit more order.

SENATOR RUMERY: Thank you, ladies and gentlemen. I have submitted this resolution for the purpose of urging the Medical Center and the Institute of Agriculture to cooperate in these problems that are confronting the people of this country as well as others, the problems of controlling cancer. It has been discovered that there are cancer in some of the livestock. Livestock and humans are quite similar and we think that there is a possibility that this ought to be enlarged upon and that we'd like to ask these two institutions to pool their resources and work together on this, and then if they are able to do this, there is a possibility that there'd be some federal funds that would be available for cancer research. Mr. President, I move the adoption of this resolution.

PRESIDENT: Is there any further discussion on Legislative Resolution #10. Seeing none, Senator Rumery, I guess the opening will be the closing and the question before the House is the adoption of LR 10. All those in favor vote aye, opposed nay. Have you all voted? Record the vote, Mr. Clerk.

CLERK: 36 ayes, 0 nays, Mr. President, on the adoption of the resolution.

PRESIDENT: Motion carries and Legislative Resolution #10 is adopted. The next resolution is resolution, LR 12. The Clerk may read it.

CLERK: Mr. President, LR 12 is found on page 388 of the Journal. It is offered by Senator Wesely. (Read.)

PRESIDENT: The Chair recognizes Senator Wesely.

SENATOR WESELY: Thank you, Mr. President, members of the Legislature. This I believe is an important resolution which deals with an important issue to the State of Nebraska. Mortgage Finance Fund I think is a real success story for the State of Nebraska the two years that it has been in operation. It has been able to help several thousand families for the first time to be able to own a home. The fund has been a tremendous success with great demand for the opportunity to acquire these low interest loans. However, the problem is that abuses in other states, in other areas involving such funding has led to passage of legislation this last fall which in fact has thrown the baby out with the bath water because although it does deal with a serious problem, and I recognize that problem that we have seen in IDA bonds in the past, it also throws out the Mortgage Finance Fund type operation which we have here in the State of Nebraska, and particularly Nebraska is hurt by this legislation. The different restrictions that have now been enacted by the Congress particularly hurt Nebraska in terms of the funding availability. Because it is a fairly new fund, it doesn't quite have the capability that other states that have more established funds have to work around some of the restrictions that have been placed on mortgage financing and on the bonding activities that support such a fund. At this time, I think that it is absolutely critical that we pass this resolution and encourage our delegation and the Congress to recognize the fact that the Mortgage Finance Fund in Nebraska, and I am not speaking for other states but I certainly can speak for Nebraska, has been a very effective means to help low and moderate income families achieve mortgages and own a home for the first time and I think that is very, very important. We've seen as a result of this a stimulus to the economy in this state which is dramatic and in these very hard economic times I think it has had a tremendous impact to the positive in the State of Nebraska's economy. Again as I said before, we are in a critical period though without Congressional action to change some of the restrictions that have been placed on the fund and other funds in other states. Our Congressional delegation would be directed by this resolution to try to ease up some of those restrictions so that the Mortgage Finance Fund in Nebraska can continue to assist low and moderate income families. Without these changes, essentially the fund will have to not continue with any additional bonding, without any additional funding. It will have to be pretty much a stagnant entity and I think there is clearly a demand for support for the fund. Also related to this is the energy assistance that I think many of you recognize the need for.

The Mortgage Finance Fund was granted through LB 954 passed last year, the authority to issue bonds which would be used to assist low and moderate income families to conserve energy in their homes and also to help small business people conserve energy in their businesses, clearly a very worthy step to take, and we have found through research that very necessary assistance is needed in the terms of the funding capability that these revenue bonds can provide. Without these changes in the law, however, the Congress has placed restrictions which make it impossible for such activities as these energy funds to ever become available because the bonding restrictions are too great and essentially there is no option for the future unless we would make these changes. Again this resolution is an attempt to recognize the impact of the Mortgage Finance Fund, the good that it has done for the State of Nebraska, and to encourage our Congressional delegation to make some changes in the law that were passed this last fall, rather than as I would believe, so that we can continue to have the benefits of the Mortgage Finance Fund and hopefully to expand that so that energy funding can be available and like attempts to assist the economy of the State of Nebraska.

PRESIDENT: The Chair recognizes Senator Beutler.

SENATOR BEUTLER: Mr. President, members of the Legislature, I want to oppose this resolution. In my opinion instead of discouraging the federal government from doing what they are doing, we should be standing up and cheering right now. Let me tell you why. For the last twenty years in this country there has been spreading across the country a movement to issue more and more and more tax free, tax exempt bonds for this and for that, starting with Industrial Revenue Bonds, Tax Increment Financing. Many of these types of bonds are issued supposedly as industrial incentives to a particular state, but once all of the states adopt that kind of incentive, then there is no incentive left at all and what happens is the public ends up financing a number of operations that in my opinion should be either directly subsidized or should not be subsidized at all. If we think we are helping the average taxpayer by issuing these types of bonds, then we are just kidding ourselves. Let me tell you, let me remind you of the two effects that these kinds of bonds that we are talking about have. The first effect is that they are tax exempt and there is only a certain class of people in this country who have an interest in buying taxes in bonds and those are the very wealthy. So the more of these bonds you issue, the more you exempt the wealthiest classes from taxation and the more you put the burden of taxation on the middle class and on the lower class. That is the first

bad effect of issuing these types of bonds. The second bad effect is that as the market becomes more and more flooded with tax exempt bonds the price on those bonds necessarily goes up which means it costs the cities, and the counties, and the state, and everybody else who is issuing these bonds for legitimate public purposes more and more money to issue the same bonds. It is a simple supply and demand effect. When it costs the cities and counties and government more and more money, that means it costs the taxpayers more and more money. So these types of mechanisms really don't help out anyone and I think they should be discouraged but the only way they can be controlled is at the federal level. No one state can take action to control it because that state would put itself at a disadvantage with other states. So the action has to be taken at the federal level by making it difficult to get tax exempt status for these kinds of bonds or for any other kinds of bonds which are not very directly serving a public purpose. For that reason, I would like to encourage you not to vote in favor of this resolution and not to discourage the federal government in going the direction it appears to be going at this time in cutting down on these types of financings. Thank you.

PRESIDENT: The Chair recognizes Senator Newell.

SENATOR NEWELL: Mr. President, members of the body, I, also, rise to oppose the resolution and my arguments are similar to Senator Beutler's but I am going to take a little different tact and try to explain this issue a little more clearly. One of the things that Nebraska did and it was a grave mistake is that we got into this mortgage finance business a little late, after many other states had already got the best possible use out of the whole thing and abused it greatly. I think Senator Wesely alluded to that. But the abuse is an ongoing abuse. House Ways and Means in recent sessions have really worked hard to try to deal with this whole question. Now frankly we have to analyze as a Legislature whether or not we really, really want this kind of a program and whether it is all that beneficial when you look at the total scope of it. Now Senator Beutler indicated that these tax exempt bonds have a lot of impacts and there is no question about that but let me ask you whether you, as individuals, believe the best way to target assistance, to target assistance is through this kind of program or would it be a better way to target through the 235 Program, through Farmers Home Administration, those kinds of programs which in fact can more clearly be regulated so we make sure that we get the desired effect in helping low and moderate income families achieve the desire to buy a home that they so intently want. I think one of the key

questions to this kind of a resolution, and this is not a simple resolution, is what does it cost the federal government in terms of lost revenues. Now I would ask Senator Wesely if he could answer that in some way. Maybe he knows just what the impact of this whole thing is and maybe he doesn't because you know there is a simplistic way of looking at this to jump up and say, yes, we think this is a great program and it is a great program. As long as everybody else in the country has got it, we should have it and we should use it. But now Congress is moving instead to try to limit the program, to try to save those revenues and to try to provide this assistance in a more targeted and direct way. Senator Wesely, do you know what the revenue loss to the federal government is?

SENATOR WESELY: I don't have that figure.

SENATOR NEWELL: Mr. President, members of the body, I am wondering, we have had a rule that talks about whether or not resolutions like this should go to committee and I think that I would like to discuss this with the Clerk and with Senator Wesely and ask Senator Wesely if he would feel more assured and feel more comfortable as I would if this went to committee, if we had the answers to the questions of what the lost revenues were, if we had the question to what other facets of housing we may be talking about. I think we really need to understand this issue before we say on this floor, yes, we are for this or, yes, we are for that. I think this is a much more significant and meaningful resolution than one that should be just dealt with in a few minutes of floor discussion, floor debate, at this time. Senator Wesely, would you mind if I made a motion to refer this to the Executive Board to be sent to committee?

SENATOR WESELY: Well, quite frankly, although the resolution I do believe is important, the recommendation is not a specific one. If you read the final clause, it says that the 97th Congress be urged to take prompt action in amending the Mortgage Subsidy Bond Act of 1980 to remove unnecessary and unwarranted restrictions. Although I interpret that one way, perhaps that could be interpreted other ways and I think that it is a general enough resolution that it talks about a general concept, a fundamental principle of do you believe we should have a continuing Mortgage Finance Fund in Nebraska or not and I think it is not specific enough that we really need to take the time in committee to look at it. If I had a specific recommendation about specifically this change or that change, I would agree but it is a general concept, a general principle in an effort to try and find out the sense of the Legislature and whether or not they want to

February 3, 1981

LR 12

see the Nebraska Mortgage Finance Fund continue to operate.

SENATOR NEWELL: Senator Wesely, I have a problem with that because I think there is more ramifications in this whole thing than just that. You are saying should the Nebraska Mortgage Finance Fund continue to operate. As long as we have Congressional authorization we will continue to operate. There is no question about that, and your resolution memorializes Congress to take off the restrictions that have been heretofore put on that act, and I think that clearly is a policy decision that I don't think you or I or anybody here totally knows the ramifications of. I think I have got a much better view than you have but then that is because we have a differing philosophy or a differing opinion on this but I think we really do need the information. And so with that, I think I am going to offer an amendment to refer this. But let me ask a question. Mr. Clerk.

CLERK: Yes, sir.

SENATOR NEWELL: Is this resolution pursuant to our rules, would this resolution have to go to a Standing Committee for public hearing?

CLERK: No, sir.

SENATOR NEWELL: How is our rules...what does our rules state in this case?

CLERK: It is any member can offer a motion to refer it to a committee for public hearing purposes if they are so inclined. It takes 25 votes, Senator.

SENATOR NEWELL: So it has to be a motion before we can in fact refer it?

CLERK: Yes, sir.

SENATOR NEWELL: Okay, thank you.

PRESIDENT: The Chair recognizes Senator DeCamp.

SENATOR DeCAMP: Mr. President, members of the Legislature, I rise to support the resolution, and while elements of what Senator Beutler said and what Senator Newell said are indeed true, I think you have to look at the situation in the context not so much as what theory is for five or ten years or twenty years down the road but what the situation is right now, and just for about two minutes I would like to try to illustrate why it benefits Nebraska and why the federal government

quite frankly wants to take this money back. What is the Mortgage Finance Fund, particularly as it operates here in Nebraska? It simply means that Bernice Labedz with her million dollars or ten million goes out, her private money, she buys bonds. She buys bonds and earns interest on them. Who sold those bonds? This Legislature set up a nonprofit state corporation to sell the bonds. What happens to the money? We take the money and we loan it or that corporation loans it to purchase houses in the State of Nebraska. So how does that benefit the economy? Well, because they can get the house bought with ten or twelve percent interest instead of fifteen or sixteen percent interest. It provides a broader base of buyers because they have a much lower monthly payment and it actually provides the money available to do it, to make the loans, which is in short supply in many cases, particularly during the last time the fund was used. Now why does Bernice buy that bond with her ten million dollars or whatever? Why doesn't she take her money and put it somewhere else? That is what the federal government would like her to do. They'd like her to buy something that is just as tax free but they would like it to be a government bond of some kind or other and then they could use the money for more deficit financing and then they could do what Davie Newell wants to do. They could run it through the Farmers Home Administration with a 235 loan or whatever with that puzzle palace on the Potomac that they use this for. What we are doing is bypassing, at least the way the fund functions now, we are bypassing the federal government, getting money directly into the state, and we are not giving Bernice any special benefit that she wouldn't get from the federal government. All the federal government wants to do, basically, is take all that money so they can borrow it rather than us borrowing it or having it available in the State of Nebraska and the other states. So, indeed, it is a sorry state that we reach this situation. Sure is! But we didn't create it. What we are doing is saying, hey, look, this is the best thing we can do under the circumstances. We need to solve our problems internally in Nebraska and make this state survive, our housing industry and whatever, and at least in 1980 and 81, this is the best we can do. Indeed it is not perfect, and as I say, it is unfortunate that through deficit spending and everything else we ever reached the situation where such things have to exist. Those are the facts of life. So I submit to you that all you are doing if you would go the way the federal government wants, just saying, Bernice, you can only buy government bonds and then we will run the money through the feds, this kind of thing. There is about so much money out there. We want to have some system to try to get some of it back. Within, and I think you can check this out with your local banker at home,



probably within two to four months, you are going to see anywhere, if it hasn't already happened in many cases, between fifty and seventy percent of all the homebuilders in this state technically bankrupt or broke, out of business. Now that is a sorry state of affairs. You just don't start a homebuilding industry overnight again. This fund helped to save it the last time. I think it can contribute significantly this time and the resolution may not have any more effect than telling Congress, hey, look, you know we as one state want you to leave us alone and let us continue to utilize this and that is what the resolution does and I would urge you to support it.

PRESIDENT: Motion on the desk. Read the motion, Mr. Clerk.

CLERK: Mr. President, Senator Newell requests to rerefer the resolution to the Executive Board for a reference to a Standing Committee for public hearing.

PRESIDENT: The Chair recognizes Senator Newell.

SENATOR NEWELL: Mr. President, members of the body, we are talking about this program in a way in which we all, all of us, Johnnie DeCamp, Don Wesely, Chris Beutler, Dave Newell and others, have a very general knowledge of the program. To really analyze the pros and the cons I think we need more information. Frankly we do not know, unless somebody here could volunteer to tell me, how much money the federal government is losing because of this kind of program, how effective it has been to really targeting assistance nationwide, and really we are telling Congress from that sort of perspective or our delegation that we think it is a good program and we haven't analyzed all the different facets of that program to weigh whether or not it in fact is the most efficient way to provide this kind of housing assistance or whether it is not. I think it is important to ask the mortgage finance people to come in and explain just exactly what their program is and what it does and how it does it, to ask for some information from the federal government from our Congressional delegation, ask them to help us better understand it so that we can make an honest analyzation of whether or not this is a meritorious program. From my reading, and again I am not in any way saying that I am an absolute authority on this issue, but I have served on some NCSL committees in which we have discussed this, and from my reading of the program, it has in fact been fairly successful but at costs that I think are not in keeping with what we think of in this body and in the federal level as really efficient and as well targeted as they ought to be. For that reason I have grave doubts about the efficacy of instructing or encouraging

our delegation to support the continuation of this program, of this bonding mechanism and so forth without truly understanding whether or not it has been beneficial. Important resolutions like this really should be discussed, they really should be analyzed, and they really should be thought out, and with that in mind, I am not offering anything other than to send this to the Exec Board for reference. I avoided offering a committee because I didn't want to be taking over the Exec Board's prerogative and authority in terms of referring these things, but no matter what committee it goes to, we really ought to have the kind of information about this program, about the efficacy of this program, to make that sort of decision. I am not opposed to the Mortgage Finance Fund but I am wondering, you know, because in fact I think Nebraska got into that program far too late when other states really, really moved on it and really did some things with it which may or may not have been good. I am not opposed to the program but we are not talking about the program in the context of this, we are talking about whether we authorize it for Congress to continue these kinds of bonding exemptions and I think that that has to be looked at. So with that in mind, I would encourage this body to do what I consider the right thing, send this to committee for public hearing. It will be just as good tomorrow and two weeks from now after we have had that public hearing and had that thoughtful analysis as it is today.

PRESIDENT: Now we are speaking to the Newell motion. Who wishes to speak? I have a number of lights on. Will you hold up your hand if you want to speak to this motion? Senator Schmit, did I see your hand up and Senator Wesely? All right.

SENATOR SCHMIT: Mr. President and members of the Legislature, I would rise in opposition to Senator Newell's motion to send the bill to a committee for public hearing. First of all, I respectfully disagree that we would hear the bill in a couple of weeks. I think it might be much later than that. Secondly, I believe that it is imperative that the message be communicated as early as possible to the Congress. I think that Senator DeCamp outlined some of the reasons why we have needed this kind of funding and financing. We have been the victims of federal government deficit spending for many years. It is federal deficit spending that has driven up the cost of money to the point where a young couple today can no longer purchase a home. It is federal deficit spending that has caused many of the problems that have resulted in slow down of the economy to the extent that today business is teetering on the verge of bankruptcy in many parts of the United States and particularly in Nebraska.

I have no real close connection with the housing industry but I can tell you very frankly that those people that I do know in that industry are deeply concerned. I think that the State of Nebraska, albeit we entered the area a little bit late, nonetheless need to continue our efforts in this area if we are going to be at all in position to defend ourselves against increased vagaries of the federal government. If anyone thinks for one moment that if the fund to which Senator Newell has referred is going to change the direction of the federal government's spending, if he goes out of business, we know better than that. It will take far more than that to change the direction of the course of the federal government, albeit there may be a different tone back there at the present time than there has been in the past. The facts are that the problems we face here now we face immediately. There are many people in business, many people who need to use these funds who do not find it necessary or perhaps even possible to wait. I think that we should cause the least possible amount of disruption in a system which has been established and is functioning. I think that to send the resolution to a committee would cause further delay, further disruption and further disagreement as to the importance of the entire program. If you choose to vote against the resolution, then I think you can vote against the resolution now. There is no point in just hiding behind the motion of sending it to the committee. If you sincerely agree with Senator Newell and Senator Beutler, I have no quarrel with that, then vote against the resolution but do not hide behind the motion of sending it to the committee. Therefore, I ask you to vote against Senator Newell's motion and I beg you or ask you then to vote for the resolution.

PRESIDENT: The Chair recognizes Senator Wesely speaking to the Newell motion.

SENATOR WESELY: Thank you, Mr. President. Let me tell you the timing situation, thus you can better understand the reason I will oppose the Newell motion to refer this to committee. Mr. Chuck Rasmussen who is head of the Mortgage Finance Fund, Executive Director, and there is a letter on your desk which has been distributed from him which explains the situation, will be heading back to Washington tomorrow and will be there for three days to meet with the Congressional delegation and with other Congressional representatives to discuss the problem that we now have concerning the law that we passed last year in the Congress. The reason I have brought this resolution up today, the reason I would like you to vote hopefully in favor of it today is that he can use this resolution to support the position in support of

the Nebraska Mortgage Finance Fund when he goes back to Washington tomorrow and the next three days. That is the reason I support the resolution today. However, I do understand the concerns that Senator Newell has but nevertheless I think that it is a resolution which doesn't bind the Legislature to any particular amendment or any particular change that we want to make. In fact what we are saying is we support the fact that the Nebraska Mortgage Finance Fund has been effective in helping low and moderate income families purchase housing, we support the concept of trying to help in this direction and that we would like to see some changes made in the restrictions which now unduly inhibit that effort by the Nebraska Mortgage Finance Fund. Now please keep in mind one thing, from the information I have, Nebraska has more than other states been hurt by these restrictions. That is to say that although other states have been restricted, of course, Nebraska because it is a new fund was particularly hurt by these restrictions that were passed by Congress. Because it is a new fund, we don't have the funding flexibility that would allow us to do certain things that could help keep the Mortgage Finance Fund a very strong institution. At this point, the restrictions really do harm the fund, and what we are talking about is the inability of the Nebraska Mortgage Finance Fund to issue bonds in the future to meet future needs for housing in the State of Nebraska if these restrictions remain in place. I think that that is a very critical problem and the fund is very important in Nebraska. Now if you take a look at the letter from Mr. Rasmussen, you will get some idea as to the problems he has identified with the fund and if you look at the third page of that handout that I have, you will see the results of the fund thus far in the State of Nebraska, and what you will find is that the figures are very, very impressive where we have helped...I believe we are helping some 3,000 plus families to purchase homes, and if you will look at the income figures that we have, I think it's pretty clear that it has been helpful to the moderate income particularly, people that do need this assistance and I think very much appreciate the fund. Keep in mind the fact that we have had two issuances of bonds and then availability of money to families to purchase homes and have had people waiting in line overnight. We have had those bonds, revenues used almost immediately by families in great need of this assistance and I think it is clear Nebraskans want to have the fund, have need for the fund, and support the fund. I think also you should keep in mind Senator DeCamp's comments and others who have talked about the fact that for instance with the energy situation there is a great need for assistance, there is a need for financing that will help assist us in conserving energy, and in the end, save

money for all Nebraskans and stimulate the economy. In my mind this is very important, and unless we get these changes in the federal law, we will not see the energy funding availability that we need and which was authorized by LB 954 passed last year. Again I support the resolution and encourage you to oppose the Newell motion to refer it to committee.

PRESIDENT: Any further discussion on the Newell motion?  
Senator Vard Johnson.

SENATOR V. JOHNSON: Thank you, Mr. Speaker. I would like for my fellow legislators to look at page 388 of the Legislative Journal to see precisely what is at issue here. When Congress amended the law in 1980 it did not repeal the Mortgage Subsidy Bond Act. It did not repeal the program. It tightened up the program. That is all it did. It just said simply if these bonds, in effect, are to be tax exempt bonds, then the program that these bonds are funding has got to be a bit tighter. We don't like cavalier expenditure of money even in the name of housing for low and moderate income people. It has got to be a more tightly run program. We are not eliminating the program. That is what Congress said and that is what this act is all about. Now the Nebraska Mortgage Finance Fund wants to relitigate the issue. It says, "Holy Smokes! We don't like some of these restrictions. We think it is going to be too tight. So we want to loosen it up again so we can have more free and easy spending." But you know something, fellow legislators, you and I don't even know what the restrictions were or exactly what the loosening is going to be. We don't know and yet we are being called on to vote for this resolution so that Mr. Rasmussen can take it back to Washington, D.C. tomorrow to argue a case that you and I don't even know. I genuinely do not know precisely what it is he wants to have lessened or eliminated. I think that this resolution should be referred to committee so that at least we will know what it is we are voting on. Secondly, do you have any idea as to how much money this program effectively costs in lost tax revenues? This program costs more to the United States Government in lost tax revenues than the entire general fund budget of the State of Nebraska. I keep in my desk a document which is published annually by the United States Treasurer entitled The Tax Expenditure Budget of the United States and the tax expenditure budget represents those deviations from a nominative tax model that show in effect the price that you and I pay through the loopholes, the shelters, the dodges and the gimmicks, how much the ordinary taxpayers and the U. S. Government in effect lose because we have set up special loopholes,

shelters, exemptions and benefits for other people. This particular item costs us in lost tax receipts, that is what this Tax Expenditure Budget says, the exclusion of interest on state local housing bonds in 1980, in 1980, as a tax expenditure, of \$820 million, \$820 million, and that is more than the general fund for the State of Nebraska and that is one little tax item. Now as I said earlier, Congress isn't even doing away with the program. It is not going to eliminate this particular tax expenditure. It is only tightening it up. Senator Wesely would have us loosen it up again or memorialize Congress to loosen it up again. I submit to you, fellow legislators, in this time of austerity, in this time of conscious and careful and prudent spending both in programmatic spending and in tax expenditure spending, leave a look at it. Let's have a public hearing on it. Let's consider whether we do want to so memorialize Congress, and if so, we will pass a resolution at that time but please don't vote blindly on this resolution. Let us understand first what it's full impact and ramifications are.

PRESIDENT: The Chair recognizes Senator DeCamp.

SENATOR DeCAMP: Well, I wasn't going to say anything more but Vard raised a couple of good points and I think he dost protesteth a trifle too much. I get the feeling that Vard is kind of a new leader of the conservatives here and that is what kind of got me nervous in the first place. Vard is worried about the federal government losing, losing this \$872 million or whatever it is. Now that is all based on a little presumption. That is all based on a presumption that all these people, Bernice and her \$10 million that she bought these funds with, that my poor Mama Bernice is so dumb that she is going to invest in something that she can pay massive taxes to the federal government. Well, Bernice isn't that dumb. With her \$10 million if she doesn't put it in this tax exempt, she will put it in something else, some other munny bond or federal bond or tax exempt bond and so that \$872 million that is lost to the federal government is kind of a pretty artificial thing. Secondly, secondly, Vard talked about these standards we don't know anything about. Well, that is not entirely true, is it? Larry Stoney, Walter George when he was here, you all knew what our program was. You know how it worked. Not one penny of federal or tax money was involved in it. A person went to borrow a loan just like they'd go to a private lender, in fact they went to the private lenders, they made their down payment of ten or fifteen or twenty percent, whatever it was, and they pay the money back. Purely private, no subsidies, no grants, no freebies, they had to pay her all back. As Davie brought out, Davie Newell, he said, "Well, we ought to be doing this through

235 programs and things like that." That is exactly what they would like, more grants, subsidies, federal government running the whole package. We have got a system that showed that we can do her here without the state having to put up a penny, bring in money out of New York, from the rich Bernices or whoever are there, into Nebraska and it is working pretty good. So I think you ought to go ahead and advance the resolution or pass it and understand that this program as it has experienced here in Nebraska has worked pretty decent for us.

PRESIDENT: Any further discussion on the Newell motion? Senator Newell, you may close on your motion.

SENATOR NEWELL: Mr. President, members of the body, the motion to refer this to committee I think is as appropriate now as it was earlier. The facts are that we do not fully understand the program or its ramifications. We do not understand what abuses...in fact we have not even discussed the kinds of abuses that have been involved in the program. I can't say with any assurance, although I do believe that Nebraska has done a good job with this program, that we have not been party to those abuses. I cannot say that. I wish I could. I wish I felt secure enough to know just exactly what those abuses were but I don't even know that. I don't know what the federal legislation did and I don't know why we are asking them to undo it. I do not know those kinds of things with any great clarity or with any great assurance. All I do know is that we are going to ask our Congressional delegation based on some very flimsy information that we do have today and based on a very simple discussion as we have had today to do something in Congress which they will assume is in our best interest and they will assume that we have thought out and know what we are doing and why we are doing it and that assumption will be incorrect. It will be incorrect because we have not analyzed this. It will be incorrect because we haven't discussed this. It will be incorrect because we really don't know what we are doing other than saying that we have done a good job and we want to be able to continue to do that good job, whatever that good job may have been. I think that is wrong. I think that is bad policy decisions. I would like to remind my good friend Senator DeCamp that there has been numerous occasions when I have offered resolutions on this floor and Senator DeCamp, the great guardian of the process, has stood up on the floor and suggested that this resolution or that resolution that his good friend Davie Newell has offered really hasn't been thought out and ought to go to committee. Now I have always been willing to do that. In fact I have concurred the two times that Senator DeCamp has

February 3, 1981

LR 12, 13  
LB 543

stood up and suggested that these things ought to go to committee. I have said, "Fine, we will send them to committee." They have went to committee and they have come back out. There has been a good discussion. There has been a public hearing and, in fact, both of those cases the resolutions<sup>s</sup> passed without opposition and I thought that that wasn't such a bad thing. I mean I started to believe in that kind of a process since, in fact, we had more information and less confusion on which to vote. But now Senator DeCamp has forgot that he is the guardian of the process and wants to ram this thing through. And maybe Johnny knows what he is talking about and he knows why this, you know, this great necessity to move this resolution through without any great analysis. Maybe he knows that. I really doubt it. I think that Johnny has got this double standard and that double standard is applied in different ways as double standards are and that is why Johnny suggests today that we don't need to know what we are talking about since it is not important anyways. I think there is time for public hearing. I would encourage this body to look at this program, to really understand what they are doing, to know what the abuses are that were tightened up and to know whether or not we were party to those abuses, and to know even more than that, whether in the national context, in a national context in fact this is the kind of program that we need or that we cannot or could not and should not have done it a different way. With that in mind, I would urge this body to send this to committee so that we can have that hearing, so we can have that understanding. Thank you.

PRESIDENT: Motion before the House then is the Newell motion to refer LR 12 to the Executive Board for referral to a committee for a hearing. All those in favor will vote aye, opposed nay. Has everyone voted? Record the vote.

CLERK: 27 ayes, 13 nays, Mr. President.

PRESIDENT: Motion carries. LR 12 is referred to the Exec. Board for referral to a committee for a hearing. The Clerk has some matters to read in and then we will take up a motion on the desk of Senator Nichol.

CLERK: Mr. President, your committee on Revenue gives notice of public hearing for February 9, 10 and 11.

A new bill, LB 543 offered by Senator Schmit at the request of the Governor. (Read title. See page 404, Legislative Journal.)

Mr. President, a new resolution signed by several members. LR 13. (Read. See page 403, Legislative Journal.) That will be laid over, Mr. President.



March 11, 1981

LR 12, 33 - 35  
LB 173, 205, 479

A new resolution, LR 33. (Read. See page 862, Legislative Journal.) That will be laid over, Mr. President. Mr. President, LR 34 offered by Senator Marsh. (Read. See page 863, Legislative Journal.) That will be laid over, Mr. President. Mr. President, LR 35 offered by Senators Newell and Fenger. (Read. See pages 863 and 864, Legislative Journal.) That, too, will be laid over, Mr. President.

Mr. President, your committee on Banking, Commerce and Insurance whose Chairman is Senator DeCamp reports LR 12 back to the membership. That is signed by Senator DeCamp.

Mr. President, Senator Carsten reports LB 479 to General File with amendments.

An Attorney General's opinion addressed to Senator Warner regarding 173 will be inserted in the Journal.

SENATOR CLARK: We will now take up the readvancement of LB 205. I understand that E & R can clarify anything that is in there. All those in favor of readvancing the bill vote aye, opposed vote no.

CLERK: Senator Clark voting aye.

SENATOR CLARK: Have you all voted on the readvancement of 205? Record the vote.

CLERK: 27 ayes, 4 nays on the motion to readvance the bill, Mr. President.

SENATOR CLARK: The bill is readvanced. We now have a motion on the desk.

CLERK: Mr. President.

SENATOR CLARK: Senator Chambers.

SENATOR CHAMBERS: I would like to know for future reference how that matter was handled where the amendment improperly stated where it should be inserted, how was that handled?

SENATOR CLARK: Where the what?

SENATOR CHAMBERS: The issue on 205 was that the amendment stated where in the bill the new language should be inserted and it could not be inserted there.

March 11, 1981

LR 12  
LB 17, 22A, 168A, 258A,  
132, 133, 245, 349

CLERK: Senator Remmers would like to add his name as co-introducer to LB 132.

SPEAKER MARVEL: Any objection? So ordered.

CLERK: Mr. President, Senator Clark and Warner offer amendments to LB 133; Senator Vickers and others would like to print amendments to LB 245.

Business and Labor Committee will hold an exec session Thursday, March 12 at one o'clock in Room 1019.

Banking Committee reports LB 349 to General File.

New A bills, 22A by Senator Landis. (Title read.)  
168, a new A bill offered by Senator Carsten. (Title read.)  
258A by Senator Hefner. (Title read.)

Banking Committee reports LR 12 back to the Legislature for their consideration.

Senator Warner moves to place LB 133 on General File notwithstanding the action of the Banking, Commerce and Insurance Committee.

Priority bill designation by Senators Goodrich, Labedz, and the Constitutional Revision and Recreation Committee.

Senator Koch would like to print amendments to LB 17 in the Journal, Mr. President.

SPEAKER MARVEL: As we adjourn this morning, I would remind you of the deadline on the 13th of this month as far as priority bills are concerned, and if we can be of assistance to you, why please let us know. Senator Maresh, will you adjourn us until nine o'clock tomorrow morning?

SENATOR MARESH: Mr. Speaker, I move that we adjourn until tomorrow, March 12th, 9:00 a.m.

SPEAKER MARVEL: All those in favor of that motion say aye, opposed no. The motion is carried and we are adjourned until 9:00 a.m. tomorrow, March 12th.

Edited by:

  
Mary A. Turner

April 14, 1981

LR 12, 52, 53, 54, 55  
LB 134, 181, 200, 280, 330,  
371, 407, 437.

PRESIDENT LUEDTKE PRESIDING

PRESIDENT: Prayer by the Reverend Carl Godwin, Pastor of the Bible Baptist Church here in Lincoln.

REVEREND CARL GODWIN: Prayer offered.

PRESIDENT: Roll call. Record the presence.

CLERK: Quorum present, Mr. President.

PRESIDENT: Are there any corrections to the Journal?

CLERK: I have no corrections, Mr. President.

PRESIDENT: The Journal stands correct as published. Any other messages, reports or announcements?

CLERK: Mr. President, your Committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 134 and recommend that same be placed on Select File.

Mr. President, I have an Attorney General's Opinion addressed to Senator Vickers regarding LB 181. (See pages 1448 and 1449 of the Legislative Journal.) And Senator Sieck would like to print amendments to 298. (See page 1450 of the Legislative Journal.)

Mr. President, LRs 52, 53, 54, 55, and LB 200, 280, 330, 371, and 407 and 437 are ready for your signature.

PRESIDENT: While the Legislature is in session and capable of doing business, I propose to sign and I do sign LR 52, LR 53, LR 54, LR 55, LB 200, LB 280, LB 330, LB 371, LB 407, and LB 437. Ready then for agenda item #4, resolutions, commencing, Mr. Clerk, with LR 12.

CLERK: Mr. President, LR 12 was introduced by Senator Don Wesely. (Read LR 12). Mr. President, the resolution is found on page 388. It was considered by the membership on February 2 and on February 3 it was....I'm sorry, it was considered on February 3. It was referred to the Banking Committee for public hearing. The matter has been referred back to the Legislature for their consideration.

PRESIDENT: The Chair recognizes Senator Wesely.

SENATOR WESELY: Mr. President and members of the Legislature,

April 14, 1981

LR 12

I have had passed out on your desk....if you don't have a copy you can come to me, a copy of the committee's statement from the Banking Committee which did hear this resolution. It was referred back to committee when it was first considered. Senator DeCamp held a hearing on the resolution. There were a number of people who testified. There was strong support. There was no opposition. The resolution was voted out of committee I think on a five to one vote, and I think it is quite clear after the hearing that the concerns I had in introducing this resolution are justified. Primarily, the concern is that the restrictions placed by the Congress with the passage of legislation last year, although right in its attempt to try and deal with too broad an authority right now with our revenue bond issuance, went too far as far as the Nebraska situation goes, and what we are talking about with this resolution isn't a loosening up of the restrictions to a point where we are back where we started, but merely a reflection of the fact that some of the restrictions that were placed on the different revenue bonds were unduly restrictive for Nebraska and unfair to Nebraska and we are asking our Congressional delegation to look out for Nebraska, to care about the fact that these restrictions hurt Nebraska particularly, and that they should try to ensure that Nebraska is not unfairly discriminated against and harmed by the passage of this law last year. So we are just basically talking about Nebraska is in a situation peculiar perhaps to a number of other states, needs to be recognized and that the restrictions placed last year were harmful to the state and the Congressional delegation ought to keep this in mind and do something about that.

PRESIDENT: The Chair recognizes Senator Beutler.  
Senator Beutler.

SENATOR BEUTLER: Mr. Speaker and members of the Legislature, I don't want to get us all into a long debate over a resolution again, especially since we had a long debate last time on this particular resolution. I would just remind you very briefly that a number of us here did oppose the resolution and I continue to oppose it for the reason that we should not be encouraging the federal government to expand the tax exemption on these different types of bonds. I intended to have some figures here today indicating the scale of the problem that is developing. I do not. But believe me it is becoming an incredible problem and just remember that the more of these bonds that are issued the more you exempt the rich from taxation and the more you shift the tax burden to the middle class and the lower middle class. So if that is the effect...the cumulative

effect that you want to have, go ahead and pass resolutions like this and bills that create additional tax exempt financings of one type or another, but just know that this is a situation that you are creating when you do that. Thank you.

PRESIDENT: The Chair recognizes Senator Newell.

SENATOR NEWELL: Mr. President and members of the body, I rise to oppose the Wesely amendment, and I think Senator Beutler did a pretty good job of explaining why and what the problems are in this whole thing. You know, we have got just about every kind of finance mechanism known to man, and to make them all work we use tax free municipal bonds. We do that with IDA bonds, you know, and the original purpose of IDA bonds was bringing in new industry and trying to locate them in certain depressed areas, and now it's just bringing in industry any old way it can and we have the same problem with this mortgage act. Basically we use the municipal bonds to raise a little money, and then we let anybody use the money. We have some criteria and so forth, but the overall cost and the overall benefits really have not been proven to be there. That is why the Congress of the United States has made restrictions. Now, frankly, we in the Legislature have frequently said, you know, there is too much regulation, those guys in Washington, D.C. are big spenders, they just have lots of money and they just throw it all around. Well, here they are trying to protect the federal tax base. They finally got around to doing something fairly modest and yet reasonable to protect that sort of tax base, to protect the revenue raising side of this whole issue. And I think Senator Beutler's comments that the real beneficiaries are those who use these bonds to shelter income and pay taxes. The federal government has made some real restrictions. Now the mortgage industry...let's just talk about the other side of this issue, the mortgage industry, the savings and loans, the banks, to some extent most of the savings and loans, are the ones that have been competing with this kind of issue, this kind of government supported issue. They have to compete in the marketplace with this kind of government subsidized situation. It's certainly not a free enterprise system that we are promoting here. We are saying that we on the government side are willing to reduce our revenues to promote this great social purpose, and also to compete against the savings and loan industry which has to on an ongoing basis has to be there. We are allowing this fund to compete with that industry. We are basically moving off the cream and at the same time we are basically shifting the tax burden. I think that the regulations the federal

April 14, 1981

LR 12

government has imposed are positive. I think they are rational. I think they are way too late. The problem is Nebraska didn't get into this program early enough to rip it off like every other state did. I feel sorry for that, but I don't know that we ought to continue to rip off just because the opportunity...we might have the opportunity. We can send this resolution, and we can vote for this, we can send it to Congress, hopefully the Congress will have better presence of mind to revert to what I think has been a solid and reasonable course of action and that is limiting and putting restrictions on this whole mortgage area. I would urge you to oppose the Wesely resolution.

PRESIDENT: Is there any further discussion on LR 12? If not, Senator Wesely, you may close.

SENATOR WESELY: Yes, Mr. President, again what we are trying to deal with with this resolution is to recognize the fact that without some changes in the federal legislation passed last year, you can pretty well forget about any further activity as far as the mortgage finance fund, as far as the proposal we passed last year which would have allowed for energy funding for different conservation efforts. That has been held in limbo as a result of the change. We have a bill pending now on ag bonds. That would not be....you could pass that bill this year and there would really be no chance for that to be used at all because of these restrictions. So if you want to see some of these different programs that are now on the books that are now being considered at all, used and implemented, there are some changes that are necessary. And those changes are not to totally loosen back up again the situation but rather to reflect to our Nebraska delegation that some of the changes were a little bit more restrictive for Nebraska than any other state and that we would like to see them look out for Nebraska. And I do plan to when I... hopefully this resolution is passed, to send a letter to the Congressional delegation and tell them the intent wasn't, "don't open up the door again and let everybody through", but, in fact, to just take a look at the Nebraska situation and make sure that Nebraska is not unduly harmed by these changes. So with that, I ask for your support of the resolution. It was strongly supported by a number of individuals. You have on your desk a copy of those individuals. I think it is clearly in the best interest of this state to try to deal with this issue.

PRESIDENT: The question before the House is the adoption of LR 76. All those in favor....or LR 12, excuse me....

April 14, 1981

LR 12

LR 12, that is correct, Senator Wesely's resolution. All those in favor of adoptiong LR 12 vote aye, opposed nay. Have you all voted? Senator Wesely, what do you wish to do? They are not voting. Yes, Senator Wesely.

SENATOR WESELY: I think I would go ahead and have a Call of the House.

PRESIDENT: All right, the question then is, shall the House go under Call? All those in favor vote aye, opposed nay. The question is, shall the House go under Call? Record the vote.

CLERK: 18 ayes, 0 nays to go under Call, Mr. President.

PRESIDENT: The House is under Call. The Sergeant at Arms will see that all members are at their desks, returned to their desks, and all other persons will leave the floor. At this time the House is under Call. Senator Wesely, do you wish to then have a roll call vote? All right. Would all of you please register your presence? The House is under Call. Senator Goll just came in. Senator Goll. Senator Beyer, is he here? I believe that is the only one that we....otherwise we have 8 excused, so we need Senator Beyer. Senator Wesely, only Senator Beyer is not here, shall....here he comes, here he comes. Shall we proceed then with the roll call vote on LR 12. All those in favor vote aye, opposed nay. Proceed, Mr. Clerk.

CLERK: (Read the roll call vote as found on page 1451 of the Legislative Journal.) 19 ayes, 21 nays, Mr. President, on adoption of the resolution.

February 11, 1982

LR 12  
LB 623, 655, 701, 708, 751

SPEAKER MARVEL PRESIDING

SPEAKER MARVEL: Prayer by Father Sam Boman, St. David's Episcopal Church, Lincoln, Nebraska.

FATHER BOMAN: Prayer offered.

SPEAKER MARVEL: Roll call. Please record your presence. Record.

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

SPEAKER MARVEL: Number 3.

CLERK: Yes, sir. Mr. President, your committee on Banking gives notice of hearing on LR 12 for Monday, February 22.

Mr. President, I have a report from the Department of Roads pursuant to statutory section. That will be filed in my office.

I have gubernatorial appointment letters from the Governor. Those will be referred to the Reference Committee. (See pages 640 and 641 of the Legislative Journal).

Mr. President, your committee on Government whose Chairman is Senator Kahle to whom was referred LB 701 instructs me to report the same back to the Legislature with the recommendation it be advanced to General File with committee amendments attached. That is signed by Senator Kahle). (See pages 641 through 644 of the Journal).

Your committee on Banking whose Chairman is Senator DeCamp to whom was referred LB 708 instructs me to report LB 708 advanced to General File with committee amendments attached, and LB 751 advanced to General File with committee amendments attached. (See pages 645 and 646 of the Journal). Those are signed by Senator DeCamp.

Your committee on Public Works whose Chairman is Senator Kremer to whom was referred LB 655 instructs me to report that bill as advanced to General File with committee amendments attached. That is signed by Senator Kremer. (See page 647 of the Journal).

Mr. President, your committee on Enrollment and Review respectfully reports they have carefully examined and reviewed LB 623 and recommend that same be placed on