

consequently they will give them a lower interest rate. That is the intent of the bill. If you want to look at the bill specifically, one word that was changed and which may not look that crucial to you but it does cause a lot of problems with bond attorneys is on page 3, line 4. Two years ago "may" was changed to "shall". We are turning it back to "may". This, in the bond attorneys interpretation now, gives them a chance to back up revenue bonds with general fund. Some people might be afraid that general funds of cities are used to pay off sewer special revenue bonds. That has never been the case anywhere. But the backup simply allows a lower interest rate, therefore, we certainly would like to help the cities to pass on these savings to those people that have to pay off the bonds. If there are any further questions, I'll be glad to answer them.

SENATOR BARNETT: Senator Bereuter.

SENATOR BEREUTER: Senator George, I don't understand the motivation for this bill at all. I hope you can help me with some questions that I have. First of all this is a special benefit district. It happens to be a water and sewer in nature. To my knowledge we do not pledge the full faith and credit of the municipality to support other benefit districts. Why are we proposing to pledge the full faith and credit of the municipality for water and sewer districts, other than the fact that it would lower the interest rate?

SENATOR GEORGE: Senator Bereuter, as I said before, we have always done that. This wording was accidentally changed two years ago, I believe it was LB 176. Therefore, the bond attorneys are now construing the law, saying that it cannot be done anymore. It used to be done all the time, but I cannot find any case where a city actually had to pay any sum out of the general fund. But the backing of the general fund does cause a lower interest rate.

SENATOR BEREUTER: Senator George, I'm not referring, at this point, to line 4. I'm referring to line 13, when you're inserting the term "general obligation" for general obligation bonds. Water and sewer districts have not been funded by general obligation bonds in many instances, to my knowledge, in this state. It's been a special assessment procedure not pledging the full faith and credit of the municipality. Why are we changing it and inserting general obligation?

SENATOR GEORGE: Senator Bereuter, you're right. The backing up by the general fund used to be there, two years ago. But the wording of general obligation bond was the one requested by the various cities that appeared before the committee at the public hearing.

SENATOR BEREUTER: Well let me pose this example for you. Water and sewer districts can be created by two methods under Nebraska law, as I recall. I'm stretching back a ways. But it seems to me that it can be created by action of the city council or in response to a petition, petition from residents of a particular geographic area. I can see why the residents of that particular geographic area might like to have these bonds be general obligation bonds because the interest rate should be less. However, why is it of benefit to the rest of the citizens of that city to pledge the full faith in credit for the benefit of that particular geographic area? All you're