

on Final Reading Monday morning. Budget bills on Final Reading Monday morning with the possible exclusion of 1041, the mainline budget bill. Any questions? If not, proceed to General File, item seven on the agenda, Mr. Clerk.

CLERK: Mr. President, LB 1233 was a bill introduced by the Speaker for the Governor, with Senator Remmers, Schmit and Conway joining as co-introducers. (Read title.) The bill was introduced on February 11, referred to the Banking Committee, advanced to General File. I have no amendments to the bill, Mr. President.

SPEAKER BARRETT: Senator Remmers, will you be handling it?

SENATOR REMMERS: Mr. President and members of the Legislature, this is a very noncontroversial bill that needs to be dealt with in an expeditious manner. LB 1233 gives the Governor authority to establish a method for the allocation of the state's ceiling on tax exempt private activity bonds among governmental entities in the state. The bill is needed because of recent changes in federal law. The Tax Reform Act of 1986 places limits on the amount of private activity bonds that may be issued annually in each state. Private activity bonds are tax exempt bonds issued by governmental entities for purposes such as housing, student loans and industrial development. The bond volume ceiling for Nebraska for 1988 is \$150 million. Now, unless the state provides for a method of allocation of this bond authority, one-half of the allocation goes to the state and one-half to the local governments and then it's divided on a population basis which means that most of the issues will be too small, will go to people who have no intent of issuing any bonds and, really, we will lose the advantage of this act. LB 1233 gives the Governor authority to set an allocation method by executive order. The bonds can be allocated by an amount and type. Prior to 1988, federal law allowed the Governor to handle all the allocations by executive order. For 1988 and after, the federal law requires state legislation. LB 1233, in effect, would continue the existing procedure. This system is a most efficient and flexible means to achieve an equitable distribution of the bond ceiling. Communities which want and need to issue private activity bonds will be able to get the authority to do so. Bond authority will not be lost by allocating it to communities which do not wish to issue bonds, that is, if we leave it as it is now, we would lose that effectiveness of the bonds. But, by allowing the Governor to