COMMITTEE STATEMENT

LB 1098

HEARING DATE: 2/15/2000

COMMITTEE ON: Urban Affairs

TITLE: (Landis, Beutler) Allow issuance of bonds under the Municipal Infrastructure Redevelopment Fund Act

ROLL CALL VOTE – FINAL COMMITTEE ACTION

Advanced to General File

X Advanced to General File with Amendments

Indefinitely Postponed

Vote Results:

7	Yes	Senators Connealy, Hartnett, Preister, Quandahl, Redfield, Schimek and Smith
	No	
	Present, not voting	
	Absent	

PROPONENTS	REPRESENTING
Senator Davis Landis	Introducer
Donald Herz	City of Lincoln Finance Director
Lauren Wismer	Cline, Williams
Jim Morgan	City of Lincoln Park & Rec
Tom Casady	City of Lincoln Police Chief
Patricia Anderson-Sifuentez	Everett Neighborhood Assoc
Laurie Yoakum	Everett Neighborhood Assoc
Alan Green	The Gathering Place
Gary Krumland	League of NE Municipalities
Rev John Tyler	St Paul U.C.C.

OPPONENTS	REPRESENTING
Danny E. Walker	SSCCO

NEUTRAL	REPRESENTING

SUMMARY OF PURPOSE AND/OR CHANGES:

The Municipal Infrastructure Redevelopment Fund Act was first enacted in 1989 (LB 683) to provide cities of all classes and villages with additional revenue from state sources to meet their infrastructure facilities needs. Eligible projects are defined in §18-2603(2). Current §77-2602 provides that $3 million from state cigarette tax receipts are to be placed annually into the Municipal Infrastructure Redevelopment Fund for distribution to the municipalities (on a semiannual basis), the distributions to continue through FY 2008-09. The $3 million is supplemented with additional infusions of revenue from the Municipal Equalization Fund if the amount in that fund exceeds the amount needed for distributions to municipalities under municipal aid allocation formula (§77-27,139.03). Distributions from MIRF are made based upon population (the proportion distributed to a municipality from the fund bearing the same ratio as the population of the city bears to the population of all municipalities).

The basic purpose of this legislation (as stated in the amendment found in Section 2 of the bill, page 2, beginning in line 20) is to permit municipalities to issue bonds, secured by amounts payable from the Municipal Infrastructure Redevelopment Fund.

“Bonds” are redefined to cover virtually any “evidence of indebtedness” including loans and lease-purchase agreement.

The bill also expands the definition of “infrastructure project” (projects eligible for the use of funds received through the MIRF program). MIRF funds could now be used for buildings and capital equipment used to “…provide services to the residents of the municipality.”

The essence of the bill is found in Section 7 of the bill (beginning on page 5, in line 21): municipalities may issue bonds by ordinance for the construction or acquisition of an infrastructure project and pay the principal and interest on such bonds by pledging funds received from and through MIRF.

Such bonds must not have a final maturity later than August 1, 2009 (when the dedication of cigarette taxes for the funding of MIRF ends) and the aggregate debt service payments and related expenses with respect to all series of such bonds for any twelve-month period during which such bonds are outstanding cannot exceed the “anticipated receipts” from MIRF by the issuing municipality.

“Anticipated receipts” means the amount received by the municipality from MIRF during the twelve month period immediately preceding the date of the issuance of the bonds.

The issuance of the bonds is not subject to any charter or statutory limitations of indebtedness or to any charter or statutory restrictions or conditions precedent on the power of municipalities to issue bonds.

In order to insure that municipalities have sufficient revenue to meet bond debt service obligations, should the amount of funding for MIRF in any year be less than the amount necessary, the municipalities are granted the authority to levy a property tax in an amount not to exceed 2.6 cents upon the taxable value of all taxable property in the municipality to meet the deficiency (but no more than that).

EXPLANATION OF AMENDMENTS, IF ANY:

The proposed committee amendments can be divided into two parts. Both parts are changes in the second paragraph of section 7 of the current bill (found on page 6).

The first portion of the amendment strikes the language found in lines 6 through 10 on page 6. This is the language which would provide that the issuance of the bonds would not be subject to any existing charter or statutory limitations on indebtedness or subject to any restrictions or conditions to the authority of a municipality to issue bonds. This portion of the amendment removes those exemptions from statutory or charter provisions.

The second portion of the amendment removes the current language which would permit a municipality to levy a property tax of up to 2.6 cents per hundred dollars of valuation in order to meet any debt service obligations which exceeded the amount of funds received from MIRF. The amendment substitutes language which permits the municipality to dedicate a portion of its existing property tax levy authority (under section 77-3442) to meet those debt service obligations. In essence, this portion of the amendment makes it clear that property tax revenue may be dedicated for the stated purpose, but any such levy must fall within the current statutory restrictions on maximum levies.

Senator D. Paul Hartnett, Chairman