



Hundredth Legislature - First Session - 2007  
**Introducer's Statement of Intent**  
**LR 6 CA**

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**Chairperson:** Mike Friend  
**Committee:** Urban Affairs  
**Date of Hearing:** January 30, 2007

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LR 6CA proposes to ask voters to amend Article XI, Section 1 of the Constitution, which currently limits the types of investments that can be made by a political subdivision's municipal endowment.

LR 6CA would allow for a more diverse investment portfolio that would be wisely invested with the skill, care, and diligence of a prudent investor. For example, the Community Health Endowment of Lincoln (CHE) was created in 1998 by the sale of Lincoln General Hospital. Since the creation of the CHE, it is estimated that millions of dollars in additional investment income would have been returned to the community had it been allowed to diversify its portfolio and not have been restricted to the current investment limitations that were placed in the Nebraska Constitution in 1875. Prohibiting equity investments runs counter to prevailing portfolio risk management theory and practice. In fact, an equity prohibition has the very real potential of increasing the risk and reducing the return on a municipal endowment fund.

Enhanced public investment income for CHE would have provided benefits to the local community by funding health and human service initiatives, many of which address healthcare for the poor, elderly, homeless, and mentally ill. These additional community benefits would be provided without any burden to taxpayers.

**Principal Introducer:**

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**Senator Bill Avery**